



Change management in financial institutions:

A case study of introducing a policy on corporate social responsibility in Landsbankinn

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Ritgerð þessi er 60 eininga lokaverkefni til meistaraþrófs við Umhverfis- og auðlindafræðideild, Menntavísindasviði Háskóla Íslands.

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Útdráttur

Árið 2010 var sú ákvörðun tekin hjá Landsbanka Íslands, stærsta banka landsins, að móta stefnu um samfélagslega ábyrgð (e. corporate social responsibility eða CSR) og skyldi stefnan innleidd á tímabilinu 2011-2015. Bankinn hafði áður en ákvörðunin var tekin verið að glíma við afleiðingar efnahagshruns sem átti sér stað árið 2008 og hann var aðili að. Meðal þeirra þátta sem lágu til grundvallarákvörðuninni var að forðast að bankinn færi sömu braut í starfseminni og leiddu til hrunsins. Í ársbyrjun 2001 var sérfræðingur í samfélagslegri ábyrgð ráðinn til bankans og hóf hann þegar að innleiða stefnuna.

Um svipað leyti hóf ég tilviksrannsókn mína, með áherslu á CSR og breytingastjórnun, þar sem Landsbankinn varð fyrir valinu sem viðfangsefni. Rannsóknarspurningar mínar voru: Hver eru helstu ferli sem liggja til grundvallar innleiðingu á CSR hjá fyrirtæki? og Hvaða þættir liggja til grundvallar breytingastjórnuninni? Í rannsókninni leitaðist ég við að fylgjast með mikilvægum skrefum í skilgreiningu og hönnun breytinga sem áttu sér stað á fyrsta ári innleiðingarferilsins. Jafnframt skoðaði ég fræðileg hugtök um samfélagslega ábyrgð og breytingastjórnun, samhliða því að afla gagna um ferlið innan bankans með viðtölum og efni um málefnið sem tiltæk voru í bankanum. Sumt af efninu var aðgengilegt á heimasíðu bankans, annað var óútgefið. Ég framkvæmdi lýsandi greiningu á núverandi ástandi breytingastjórnunar í bankanum og tók mið af styrkleikum og veikleikum í ferlinu.

Í framhaldinu setti ég saman breytingastjórnunar líkan, byggt á áður útgefnum líkönum. Líkanið var notað til að skapa fræðilegan ramma til að meta innleiðingarferlið í Landsbankanum. Líkanið gerði mér kleift að koma auga á gjá milli fræðilegs ramma um breytingastjórnun og raunverulegra starfshátta bankans. Þá tók ég mið af aðgerðum sem brúa áttu gjána og hvernig þær gætu hjálpað bankanum að yfirstíga veiklega í breytingastjórnunaferlinu sem fram höfðu komið.

Þessi rannsókn hefur hjálpað mér að skilja tengsl fræðilegra skilgreininga á samfélagslegri ábyrgð og raunverulegrar innleiðingar ferlisins innan fyrirtækis. Lykil ferli sem liggja til grundvallar innleiðingu á CSR tengjast túlkun á CSR kenningum út frá menningu viðkomandi fyrirtækis, þarfa hagsmunaðila ásamt heildrænni nálgun viðkomandi breytinga. Velgengnisþættir eru menntun og

samskipti, auk þess að koma á viðvarandi umræðu við alla hagsmunaðila. Þessir þættir stuðla að skilningi og vitund um breytingarnar og ástæður þess að breytingar eru framkvæmdar. Það greiðir síðan fyrir skilvirkari og auðveldari umbreytingu, ásamt því að tryggja skilvirkt breytingarstjórnunarferli.

Abstract

In 2010 Landsbankinn, the biggest bank in Iceland decided to develop a Corporate Social Responsibility (CSR) policy to be implemented between the years 2011-2015. Prior to this decision the bank faced crisis by being involved in the financial meltdown of 2008. One of the reasons behind the CSR initiative was the desire to avoid walking the same path that led to the crash. In beginning of 2011 a CSR specialist was hired by the bank and launched the process of implementation.

Around the same period I started working on the research, focusing around CSR and change management process, taking Landsbankinn as my case study. My research questions were: what are the key processes involved in the implementation of CSR in an organization and what are the factors behind change management? My study followed the process in Landsbankinn during its first year, during the crucial steps of the defining and the designing of the change. During my study I researched the theoretical concepts of CSR and change management, along with collecting data about the process within the bank through interviews and materials received from the bank. Some material was available on the bank's website, other was unpublished. I performed descriptive analysis of the current situation of change management in the bank, recognizing the strengths and weaknesses of the process.

Later I constructed a change management model from models in the literature which served as a theoretical framework to evaluate the implementation process in Landsbankinn. This model allowed me to identify the gaps between a theoretical framework of change management and the reality in practices within the bank. I then considered actions that should help fill those gaps and how they can assist in overcoming the weaknesses the change management process was encountering.

Performing this study helped me to learn about the connection between theoretical concepts of CSR and a practical implementation process within an organization. The key processes which were involved in implementation of CSR lie within the interpretation of CSR theory in a way that addresses the organizational culture and the needs of the stakeholders along with a holistic approach to the change. The factors behind success in this process are education, communication and establishment of an ongoing dialogue with all the stakeholders. These elements contribute to the understanding and

awareness of the change and its reasons, and facilitate a more efficient and smoother transformation, ensuring an effective change management process.

Foreword

As a student in the Environmental and Natural Resources master's programme at the University of Iceland I could choose which school to graduate from. Since my lead adviser, Dr. Allyson Macdonald is in the School of Education I'm graduating from this school. My co-supervisor in the Department of business was Lára Jóhannsdóttir. I want to thank both Allyson and Lára for all the help and support I received. I also wish to thank Finnur Sveinsson for making the study possible.

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1 Introduction

In October 2008, Iceland faced an historical economic collapse, one of the biggest in history compared to the scope of the country's economy. One of the main reasons behind this collapse was the management of the banking system, financial speculations made by the three main banks in the country, creating a bubble which had to burst (Ólafsson, 2011).

The financial crisis was an ending to a process started years before, when the Icelandic government started the process of privatization of the banks in 1998, along with minimizing the regulation and control over the operation of the banks. This led to aggressive investment policies, high risk loans and general financial activity which was led more by greed, rather than responsible judgment. The bank activity was first limited to Iceland and later spread abroad. This situation gave rise to and supported behavior driven by the accumulation of capital and profit in the financial sphere in Iceland, making risky management of finances socially acceptable. Ten years of such social and economic procedures created unsustainable growth (Ólafsson, 2011).

After the major collapse of October 2008, a series of financial reforms and regulations were made in order to stabilize the situation and prevent bankruptcy of the state. The banks' reputation dropped to low levels. Many lost their savings, mortgage payments doubled in time, the Icelandic Króna lost twice its value, and in addition, many struggled to recover from the traumatic experience of the collapse itself, which led the small country towards political and economic instability.

Since then, the Icelandic banks have been trying to recover their reputation and image as well as improve their operations in order to insure that this crisis will not repeat itself, and are working towards regaining the trust of the people and the recovering of their financial situation. As part of those efforts, Landsbankinn, being the largest bank of Iceland, and also the one involved in the IceSave¹ situation, underwent procedures of bankruptcy and a new bank was formed instead, named Landsbankinn. The management of the new Landsbankinn decided to embrace a policy of corporate social responsibility (CSR) at the end of 2010. According to the CSR specialist at the bank, Finnur

¹ The Dutch and UK branches of Landsbankinn which led high risk investments and loans policy in Europe, and responsible for significant part of the Icelandic debt to European countries (EFTA, 2011).

Sveinsson, who was hired in order to lead the process, the initiative to bring in CSR came from the employees themselves in the process of the recovery of the bank (Sveinsson, personal communications).

The essential goal of the bank's CSR policy is to create an environment of common cooperation and mutual enrichment, among all the segments of the bank: management, employees and consumers. According to the specialist, there is a focus on two main goals:

1. Getting all the employees to the same level of knowledge and understanding of environmental and social issues.
2. Changing the value scale of the company by adding the standards of sustainability into decision making. The values of sustainability should be integrated into the company's culture and become part of core considerations in everyday operations. The goal is to move away from centralized policy making towards a holistic process and cooperation of the employees.

In order to successfully achieve these goals and incorporate sustainability principles into the daily activity of the bank and the decision making process, all the 1,200 employees need to understand and be willing to take part in the process.

My aim in this thesis is to look into the process of implementation following Landsbankinn's decision to introduce a policy of CSR. I have followed the process for a year (2011-2012) and analyzed the activities which were set up to move towards the goals. My research included delving into the concepts of CSR with an emphasis on the financial sector, along with learning about strategy and change management. I created a model of change management which I used to evaluate the process of CSR in Landsbankinn and also interviewed some of the employees and came up with suggestions of actions to fill the gap between theory and reality to improve the quality of the process.

My research question focused on how such a transformation could be achieved:

1. What processes are involved in a company implementing CSR?
2. What factors contribute to the change management required by CSR?

I have adopted a single case study approach (Yin, 2003) to my thesis and so I begin with a brief description of the methodology, followed by a literature review of CSR and change management through which I developed a model to use to follow the bank's progress. I then present my findings, first reviewing the

actions made by the bank through policy papers, their website and public statements. Then I review the process through the eyes of some of the employees I interviewed, after I review the process through an application of the model. I finish by discussing the findings and drawing some conclusions and ideas for next steps

2 Structure of study

My study consists of 4 main steps: a literature review on CSR, research about change management and developing a model, application of the model on the case study, in the last part I discuss the results and draw conclusions.

The literature review contained information regarding CSR history and development, continuing to the current concepts of CSR, focusing on the European perspective and later on CSR in the financial sector. In the next step, I reviewed the CSR tools and initiatives chosen by Landsbankinn for use during the implementation process. The purpose of this review was to gain practical understanding of the operational process in implementation of CSR. This review also shows what these tools which been selected by the company need in order to require their fulfillment and how they assist to deal with the complex process. Such an implementation process requires a strategic approach, since the change refers to all the aspects of the company's operation. For this reason I chose to review the concept of strategy, with a focus on sustainability and CSR strategies in the financial world. This review allowed me to gain a more thorough understanding of the connection between the principles of CSR and their implementation through a change management process. In addition, I learnt how companies approach the process of CSR implementation, possible outcomes of such a process and criteria with which to evaluate the success of CSR implementation.

My next step was to perform a case study of Landsbankinn as a way to grasp examples of the topics learned in the literature review as executed in practice. I followed the development of the CSR process in the bank from June 2011 until August 2012. The next stage involved interviews with employees from different departments and at different levels of involvement in the CSR process, in order to get various perspectives on the process. My questions focused on their views regarding the change, their understanding of the concept of CSR and opinions regarding the relevance of CSR to the bank.

After developing an understanding of the situation in Landsbankinn and identifying the achievements and the weaknesses of the process, I started to look for a change management model which would allow me to have a comprehensive analysis and evaluation of the process according to the specific situation of Landsbankinn: i.e. a company that has decided to implement CSR

but faces difficulties in translating the principles into practices, and wishes to increase interest and awareness and support from the management.

In reviewing the literature from a change management perspective I found frequent overlaps between the models regarding procedures which should take place, but none of them fitted the requirements of my research. Thus I decided to synthesize my own model out of three different models, which I found most relevant for my study: starting with the three stages of organizational change by Lewin (Lewin, 1947), then the practical approach to organizational change by Mento (Mento, Jones, & Dirndorfer, 2002) and finally completing the model with a model specifically designed for CSR by Maon (Maon, Lindgreen, & Swaen, 2009). The combination of these three models gave my project the needed scope to overview all the necessary aspects of the change management process for CSR. There are 16 phases in the model, organized into three stages: unfreezing, moving, and freezing.

Next in chapter 6 I combined the model with the data from Landsbankinn. This section includes the presentation of each phase of the model, comparing the actions made in Landsbankinn regarding the phases, identifying the gaps, suggesting actions to fill them and explaining how this can contribute to overcome the obstacles. The division into phases allowed a clear analysis of each action, demonstrating its importance to the overall process. It also helped to identify the gaps in a more efficient way and increase the cause-effect relation.

In the discussion part of the study I discussed topics that came up during the analysis, connecting the theoretical framework to the practices and actions.

3 Literature review

The purpose of this chapter is to provide an overview of the concept of CSR and the historical context which lead to its emergence and evolution. Furthermore, the aim is to examine the different drivers that push companies to embrace CSR which can help us understand its current concept and structure. As the CSR concept originated in the US, I will start my overview with it and later continue to review the European perspective to CSR.

3.1 History and evolution of CSR

The idea of corporate social responsibility has a longer history than we usually assume. In fact, the biggest American corporations embraced the idea of responsibility towards society and giving back to the communities in the 1920s, establishing philanthropy programs, codes of conducts and community service, but all of those were put on hold with the strike of the Big Depression and following World War Two (Frederick, 2006).

Despite the global trend in the last decades, the history of CSR goes back towards the early 1950s (Frederick, 2006). Naturally the CSR concept has evolved and changed along the way, according to contexts and locations, processes which will be described in this chapter. Historically, businesses were often viewed as devilish creatures, willing to step over everything and everybody (people, environment, community) in order to insure profit (Porter & Kramer, 2011). However, towards the middle of the 20th century, this perception started to change, with the understanding that businesses are part of society, and not its enemy, starting to rise along the idea of interdependence between the two (Matten, 2006). Businesses need to have a healthy and supportive community and environment in order to sustain themselves, and successful businesses are essential for the society, to provide wealth, commodities and employment (Porter & Kramer, 2011). Business is a unit of the society, created by society which implies that its management should take a more responsible stand towards the society both for the social and ecological impact it causes (Tutore, 2010). Changes in society and politics brought many executives to broaden their view of the company's activity beyond the daily business operation into a more inclusive approach, which brought stakeholders, employees, consumers and the public into their decision making process (Frederick, 2006).

One of the first scholars to write about the role of businesses in society was Howard Bowen, who proposed a new view on the field of business management. His book, *The Social Responsibilities of Businessmen* published in 1953, was a milestone in the field, where we can find ideas which are not much different from current views on CSR, including; support for education, a healthy work environment, community philanthropy, harmonious relations with authorities, improving product quality and efficiency, achieving long term economic stability and conserving natural resources. Bowen supported companies achieving all of those goals by volunteering initiatives, rather than being directed by governmental regulation (Bowen, 1953).

Despite the modern view on the roles of companies, Bowen might have been ahead of his time, and had more critics than supporters for his doctrine. Scholars such as the economist Theodore Levitt from Harvard, addressed the concept of CSR as a 'fad and fancy' which did more harm than good (Levitt, 1953).

Another economist that strongly criticized the ideology of corporations over their responsibility towards the society was Milton Friedman, who claimed that the only responsibility that drives businesses is making profits and complying with regulations; this is the only business function in the social structure (Friedman, 1962). Any activity which serves other goals than profit will be considered as a betrayal in the company's obligation towards its shareholders. According to Friedman, social and other issues are the concern of the state and not of the businesses, and managers shouldn't be the ones to decide social priorities (Frederick, 2006; Matten, 2006). This view of Friedman on the role of businesses in society is still supported by some conservative circles (Frederick, 2006; Laszlo, 2005).

Over the next years, the economic prosperity in US increased industrialization and consumerism, alongside an increased number of industrial accidents such as the Santa Barbara oil spill and Cuyahoga river fire. Critics such as Rachel Carson, with her book, *Silent Spring* (Carson, 1962) started to raise awareness of the price society pays for the corporate prosperity and what obligations of the companies are towards the society and environment from which they derive its resources. This era marked the beginning of *industrial environmentalism* which believed in the 'end of pipe' solution, according to which, environmental problems can be solved by technological development, without intervention of governmental regulation. The responsibility within the companies to address emissions and pollution problems fell mainly on the engineers and technological operators, dedicating very few resources of the firms' budget (Hoffman, 2000). Attention to environmental issues increased

with the rising green movements in the 70s, alongside incidents such as the 'Love canal'². This incident, along with other industrial accidents of smaller scales, led to the creation of environmental governmental regulations in a form of Environmental Protection Agency (EPA) in the US. The main goal of the EPA was to set a framework of rules and norms for firms to obey. The aim was to drive companies to acknowledge their environmental responsibility (Frederick, 2006). *Regulatory environmentalism* made corporate responsibility responsive rather than proactive, placing environmental groups and industry on opposite sides, when industry tried to do the minimum of what was necessary to protect itself from criticism of the 'greens'. Many wanted to see more cooperation between the two sides and the debate over CSR continued deep into the 1970s, reinforced with the Stockholm convention on human environment at 1972, which for the first time recognized the connection between human behavior and environmental degradation issues (UNEP, 1972). This meant that industry was to take a more responsible stand toward social and environmental issues. One of the main contributions to the field was made by Carroll, who identifies four aspects for which businesses should take responsibility and the reasoning behind them. His model was shaped as pyramid, from the most basic and fundamental obligations to the 'luxuries' (Figure 1) (Carroll, 1979b):

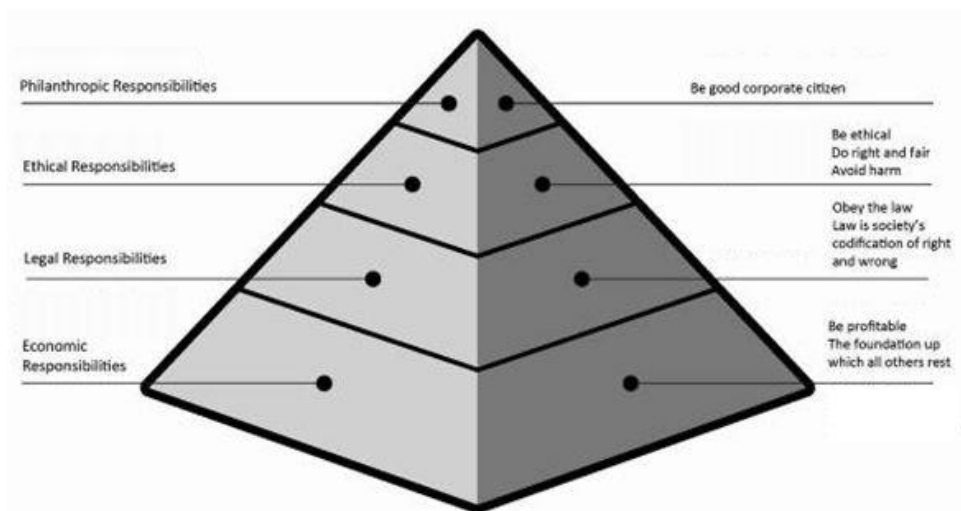


Figure 1: CSR Pyramid (Carroll, 1979a)

² 'Love canal' Incident happened at the beginning of the 80s', when neglect of chemical industrial company led to leaking and polluting a whole neighborhood in Niagara Falls, causing cancer and other diseases.

- **Economical Responsibilities** – Here it is both internal and external. External refers to consumers who want a fair price so they can afford the product. Internal refers to employees and shareholders who financially depend on the company's activity. These multiple pressures expect the company to run a balanced activity and be a properly functioning unit, which means being profitable.
- **Legal responsibility** – Companies shall respect the law and play by the rules. This is not taken for granted in an era of 'cutting corners' and bending the law by powerful corporations. Laws are the confidence of society being able to function properly.
- **Ethical responsibility** – Businesses follow the general accepted behavior of society, even if is not always anchored in law. Companies should avoid doing harm and 'do the right thing'.
- **Philanthropic responsibility** – This includes all company activities which are made to improve the life quality of the society, employees and the general public. This refers to the obligation of the firm to be a good corporate citizen.

The idea of a corporate citizen was reinforced in the next decades finally becoming a concept on its own. The main limitation of the Carrolls' model was that responsibilities are presented as separated and prioritized, rather than as a holistic approach. The model does not explain what happens in cases where two or more of those responsibilities clash during decision making (Matten, 2006), even though the core idea of the model presented a new approach of interdependence between society and business. In reality, however, environmental management was still viewed by the companies as external to overall company strategy, sort of a pill they had to swallow, to comply with the law, and was viewed as a non-recoverable investment (Hoffman, 2000).

Throughout the 1980s, environmental organizations and movements increased their power and scope. More and more people joined in demanding companies to be accountable for the damage they cause and their role in the social structure. The weakening of governmental regulation by Reagan's administration forced companies to derive their legitimacy and protection from law suits by taking more proactive actions. Industry started to cooperate with environmental organizations in setting common frameworks and agents of change for a solution, rather than being viewed as an 'obstacle', a part of the problem, that environmentalists needed to fight (Hoffman, 2000).

As to the critics that maintained that the implementation of CSR can be highly costly to the company, and can decrease its profitability, was a claim that is not always relevant. It is important to devote resources to the process of CSR

in the company, when encouraging innovation, creativity and matching the process to the specifics of the company. The process does not have to be expensive, and profit which will be gained along the way, making it affordable (Tutore, 2010). More of the aspects of the win-win approach will be discussed later.

Inside the companies, environmental management started to shift from end of pipe, to waste minimization and process design, helping promote the linkage between environmental management and economic profitability (Haanaes et al., 2011; Hoffman, 2000).

The concept of sustainable development was established earlier, but the most known and common definition is from 1987, when it was announced in the Brundtland report, also known as '*Our Common Future*'. Sustainable development was defined as the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED, 1987). The Brundtland convention followed by the Rio Summit in 1992 put development and environment under the same umbrella for the first time. It created a three dimension model, connecting society, economy and the environment to any kind of future development paradigm (WCED, 1987). The pressure on companies dramatically increased, and turned from local activities into an international movement led by multinational NGOs and organizations such as the UN in a global attempt to meet the goals of declarations such as Agenda 21 (Hoffman, 2000).

The characteristics of companies in recent decades has changed as well, as they have become massive international corporations, influencing millions of people and with a power which at times overshadows that of the governments (Walter, 2006). Environmental concern has gone beyond being a matter of green organizations and activists, into having a significant economic impact on companies. It has become part of the strategy and issues to be taken into account for insurance companies, rating agencies and investors, public relations and competitors (Laszlo, 2005). The separation between environmental or social issues and businesses strategy started to fade with the understanding of the importance and practicality of 'triple bottom line solution' – People, Planet, Profit (Elkington, 1994).

During the 1990s the direction turned towards strategic corporate environmental management: finding strategic opportunity in social concern and environmental protection. This view continues to lead the concept of corporate social responsibility into the 21st century (Hoffman, 2000). Nowadays corporate social responsibility contains multiple issues and topics from all of the three dimensions of sustainability: economic, social and environmental. The latest

trend aims at having no separation at all between corporate social responsibility and the overall businesses strategy, aspiring to achieve full integration into one holistic framework, deriving profit from responsible business behavior (Porter & Kramer, 2006). During the last half of a century, CSR shifted from ideology into reality, becoming an important dimension in modern business practices (Maon et al., 2009).

3.2 Main drivers for companies to engage in CSR

There are many drivers for companies to engage into CSR, and in the literature there are multiple classifications of those drivers. Here I choose the classification according to Tutore (Tutore, 2010), which categorize the drivers according to internal and external drivers:

External drivers

These drivers come out of the pressure from outside the company, imposing environmentally responsible behavior (Tutore, 2010):

- Regulation
- Stakeholders pressure:
- Social drivers
- Political drivers

3.2.1 Regulation

We are witnessing that with each decade that environmental regulation, both international and national (within the developed economies), is getting stricter in demand and enforcement. Companies need to address those changes, to find ways to comply with the regulations along with ensuring their profit and defending their business interests (Hoffman, 2000). This emphasizes the need for the company to look for new solutions, innovation and creativity to answer the growing pressure (Tutore, 2010). Companies should not only be responsive towards environmental regulation, but need to take a proactive stand giving the company resilience and flexibility in addressing new environmental regulations and advantages over competitors (Hart, 1997).

3.2.2 Stakeholders pressure

Stakeholder drivers divided into two sub-drivers, social and political:

Social drivers

This motivation comes from the effect businesses have on society and vice versa. Businesses should aim at maintaining a healthy and prosperous society, acting for equality in the society in which they operate (Hoffman, 2000).

The global culture has changed very fast over the last decades, with changes in population profiles, consumption and marketing patterns, in values, norms, the processing of information and in decision making of people. Embracing flexibility, resilience and quick adjustments to local contexts and trends must be part of the corporate culture of a company which wants to survive in the current reality (Pohl, 2006). CSR offers the company a practical instrument to investigate, understand and develop its organizational culture and translate the values it wants to reinforce into business practices. Improving communications, common organizational learning and operations in a local context with respect to the general culture are all principles of sustainability and CSR can benefit the company's internal and external activities (Pohl, 2006).

The credibility of businesses is constantly under the threat of critics, a situation which went extreme with the recent decade of development in communication and IT technologies, making access to any information easy and available worldwide. Along with the rise of awareness, regulation and consciousness of the importance of environmental and social issues, a company's reputation is put on the spot (Porter & Kramer, 2011). This situation is forcing the companies to take measures to fight for their reputation on two levels: to protect themselves from a fiasco which will put them at the center of public attention and to generate activities which will improve their image in the eyes of the consumer, creating a green brand (Siltaoja, 2006). Concern over public reputation influences policy making and decision making, driving companies to take a responsible stand in order to secure profitability and sustainability in the market (Miles & Covin, 2000).

Political drivers

The growing power of multinational corporations has received massive attention in the last decade, making corporations an easy target for critics. People around the world often feel that corporations rather than governments set the agenda because they have more power and influence (Matten, 2006). Those changes in power relations put a new perspective on the political – citizen relationship. In many cases governments encourage companies or sectors to regulate themselves, or create their own regulation guidelines, as we can see in marine protection or forestry sectors, where most of the regulation is set by the private sector. In the developing countries, the authority of multinational corporations is even bigger, due to the scope of their influence on

the economy and the weakness or lack of local authorities. The concept of democracy allows people to influence policy making by choosing the government. In cases where certain policies are no longer made by governments, rather by corporations, people lose their ability to influence. This puts the corporations in the spotlight for critics, emphasizing the importance of accountability and transparency as an obligation towards the citizens, since they take away part of the people's ability to influence (Matten, 2006). Companies are not apathetic to those pressures and try to embrace good corporate citizen behavior. CSR presents the company an opportunity to address growing political pressures, and to become good corporate citizens (Hoffman, 2000).

Internal drivers

Internal drivers are those motivating voluntary behavioral change in order to improve efficiency and activity, the source of this motivation coming from inside the company (Tutore, 2010):

- Economical drivers
- Responsible investments and value creation
- Marketing and reputation
- Competitive advantage
- Managerial drivers
- Ethical drivers

3.2.3 Economical drivers

Embracing social corporate responsibility as part of an overall business strategy holds great potential for economic benefit and competitive advantage for the companies (Porter & Kramer, 2006). The economical aspect combines internal and external pressures in attempt to find the best way for companies to play by the rules and remain profitable. As mentioned before, establishing and incorporating CSR into the company can also assist the company face challenges of complying with constantly growing number of environmental regulations while continuing to maintain a profitable business and produce quality products (Miles & Covin, 2000). The need to address those challenges is a fact, essential to the continuation of the business function. The only question is how firms choose to handle the situation. They can be responsive and simply comply with regulation, trying to minimize the costs of the needed changes, or they choose to see this challenge as an opportunity (Hart, 1997). Incorporating CSR principles into the management system, coming up with a new strategy to

encourage innovation, and creating shared values both for the business and society, will provide the opportunity for companies to be the leaders in their field (Porter & Kramer, 2011).

The creation of a strategy which combines the general businesses strategy with corporate social responsibility, seeing these as inseparable, has the potential of being a great benefit to the company (Porter & Kramer, 2006). It makes business sense to act responsibly: it increases the trust of consumers, improves reputation, reduces critics and becomes more attractive to employees and investors, all of these being opportunities to increase profitability (Hoffman, 2000). Presenting environmental concerns as an opportunity rather than obstacle for a company, and by introducing of the issue in the right way into decision making process, has the potential to enhance creativity and innovation, improve product and profit, along with defending the company's reputation and attracting more financial sources (Miles & Covin, 2000). For publicly listed companies, CSR increases shareholder value, hence, becomes more attractive to investors, which can be a strong incentive as well (Matten, 2006).

Responsible investments and value creation

Investors, shareholders and insurance companies around the world are starting to look into company's environmental and social performances in order to assess the attractiveness of the business and rate the risk (Matten, 2006). Sustainability is becoming a benchmark for the way a company is managed. Since it is based on transparency, measurements and accountability, CSR allows potential shareholders and other stakeholders to efficiently evaluate a company's performances (Laszlo, 2005). Today, many environmental management tools are offered for companies, providing guidelines, measurement indicators, action plans and certification in order to prove to the stakeholders the company's efforts. Rating institutions such as CERES, Global compact, GRI and other rating institutions offer information about a company's environmental and social standing to investors who are looking for responsible sources of business (CERES, 2011; GEMI, 2011; GRI, 2011a).

Socially Responsible Investments (SRI), a constantly growing trend, refers to situations where fund managers look into measurements of non-financial performances such as CSR issues in the process of making decisions about investments (Scholtens, 2009). The existing measurement and rating agencies aim to help investors direct their money to companies which take responsibility for the impact they have on shareholders in the present and future (Laszlo, 2005). The SRI concept intends to encourage companies to take steps toward

more responsible behavior, putting financial opportunities as a driver. Those international agencies gained power and influence worldwide, when the biggest corporations and major investors started to cooperate. Anyone who wants to stay in the game must follow this global trend (CERES, 2011; GEMI, 2011). Incorporating CSR into the company's activity holds a double economic incentive, it increases shareholder value which attracts more investors and the improvement of internal efficiency, which reduces costs and increases profitability (Tutore, 2010).

Marketing and reputation

Environmental and social responsible business might improve its profitability by attracting more consumers, due to rising concern over those issues in the general public (Miles & Covin, 2000). A growing number of people are becoming more aware of the source of products they buy and expect companies to provide responsibly produced products and services (Hoffman, 2000). Visible environmental policy can help a company to show its customers that they share the same concerns as those who are already environmentally aware. In addition, integrating principles of sustainability into the company's strategy, indicates long term planning and a sign of constant self-examination of the company. It implies a reliable company in terms of operation and responsibility for the product not only at the point of sale, but before and after as well (Walter, 2006).

Reputation affects a company's success too. A company should message credibility, truthfulness and reliability in order to attract consumers and investors. Innovation and business creativity are tools to translate environmental and social pressure into sustainability practices into decision making in the company. Such an approach will help reduce pressure, improve reputation and create attraction for stakeholders and competitive advantage against competitors (Miles & Covin, 2000). Companies who managed to recognize the growing demand for „green“ products in the early stages and adjusted themselves to answer the pressures before it become a global trend, position themselves as leaders in the sphere, setting the rules of the new game, gaining major reputational advantage as a result (Lovins, Lovins, & Hawken, 1999).

Competitive advantage

CSR is a source of competitive advantage, which is defined as a 'firms' ability to deliver the same benefits as the competitors but at a lower cost, or deliver benefits that exceed those of competing products. A competitive advantage enables the firm to create superior value for its consumers and superior profits for itself (Porter, 1985). Hence, when properly done and incorporated into the company's strategy, CSR has the potential of bringing great profit for the company (Hart, 1997). In comparative studies, companies that do incorporate principles of CSR and sustainability practices into their strategy, show better financial performances, then those who don't (Ameer & Othman, 2012). In addition, by helping to establish a strong, educated and healthy society, the firm insures its long lasting social stability and profitability for the future (Matten, 2006). This shows us how embracing sustainability is not only potentially beneficial to the business; it is becoming a necessity for businesses in order to survive amongst their competitors.

3.2.4 Managerial drivers

CSR presents the company the opportunity to improve its management system, by using one of the many CSR tools as a management tool.

The essentially simplistic idea that 'what gets measured gets managed' demonstrates that implementing an environmental management system in a company will clarify for the management how its' resources have been used, the efficiency of the usage and the places of waste (Laszlo, 2005). Implementation of a CSR management system will allow a company to use its resources more efficiently holding the potential for savings and profits.

The stakeholders' theory (Freeman, 1984) presents a perspective according to which each firm is managed not only by its management level, but by a wide range of groups who have an interest in its activity. Stakeholders are for instance consumers, employees, regulatory agents, suppliers, competitors and any other groups that are affected in any way by the company's activities. According to this, a company has to keep in mind that it carries responsibility toward all the possible stakeholders and its activity must not violate the rights of any of the many stakeholders. Having so many different interests from multiple stakeholders puts pressure on company's managers to take all those interests and needs into account in the decision making process. Research demonstrates that voluntary and proactive initiatives such as CSR are far more effective in generating successful strategy and increasing competitiveness and profitability, compared to command-and-control regulation (López-Gamero, Molina-Azorín, & Claver-Cortés, 2010). CSR presents a pragmatic approach to

address this challenge, when using it as a management tool to improve performance.

One of the important components of CSR is measurement, measuring social and environmental factors in the same way as economic performance (Freeman, 1984). By establishing efficient measurement mechanisms within the company, the influence on each and every one of the stakeholders will be clearer and more accessible for monitoring. Implementing CSR in a company can improve its managerial ability (Matten, 2006). Despite the fact that measurement is an essential tool of CSR, there are many difficulties in performing accurate and consistent measurements, in addition to the impossible mission to detect and follow all of the stakeholders (Porter & Kramer, 2006), a problem which will be discussed widely later on.

3.2.5 Ethical drivers

Businesses engage in CSR in order to adapt to the fundamental moral values of the society in which they act (Matten, 2006). The law does not cover all the moral situations a business might face. By declaring and performing ethical business practices, the company puts itself in the context of the society and morally acceptable behavior, bringing it more trust and reliability. These issues appear more and more when concerning activities in developing countries, facing cases such as human rights, labor conditions and fair trade. In many of these cases there are no local laws about the issues, but the ethical stand of the company dictate fair and moral activities for companies who choose to act in responsible ways (Hoffman, 2000). In the past century a countless number of incidents have been caused by the unethical behavior of companies, abuse of human rights, illegal ways to take over lands and resources, pollution and bending of safety rules. These caused irreversible damage for the environment, humans, local communities and their economy. This raised the need to establish ground rules for operation both for the sake of society and the ability of businesses to defend their reputation (Business-Roundtable, 2007). The importance of the ethical aspect of a company's activity can be viewed by the fact that all of the multinational corporations in North America and Europe now embrace a code of conduct or ethics (Bondy, Matten, & Moon, 2004).

The past decades added sustainability to the principles of ethics guidelines for all businesses, i.e. the obligation and responsibility towards the equal opportunity of future generations. There are few laws demanding companies to take sustainability into their core activity, but the importance of the topic in public debate is putting pressure on companies to undertake proactive actions to adjust their activities to address those issues (Lovins et al., 1999; Matten, 2006).

3.2.6 Summary

Implementation of CSR is driven by multiple pressures aimed at the company from the outside world. The sources of the pressures are external and internal, and raising environmental concern and the growing legislation in the field. Companies now need to comply with the regulation, protect their reputation, maintain and improve product quality and remain profitable in order to satisfy the stakeholders. CSR offers the opportunity for those companies who are willing to face those challenges by bringing innovation and creativity into the company, adjusting policy, developing activity towards new directions and providing companies with a competitive advantage.

3.3 The concept of CSR

CSR is still an emerging concept, which causes difficulty in coming up with one precise definition. The vagueness surrounding the concept also plays into the hands of the critics of CSR.

3.3.1 Definition of the concept

There is a wide range of definitions of the concept and meaning of CSR, coming from different approaches and framing of what CSR means and how it should be implemented (Dahlsrud, 2006). This incoherency is creating confusion which plays into the hands of the critics, who claim that this concept is too vague and lacks meaning, hence it is inefficient (Jamali, 2008). To answer those critics and improve the effectiveness of the concept, there is a need to come up with a stable, theoretical paradigm which will define the concept of CSR and clarify the meaning behind it (Pohl, 2006). The less abstract the term will be, the easier it will be for the managers and the actors to address the issue in research, implementation, and evaluation and so forth (Jamali, 2008). As we saw above, CSR has been through many metamorphoses throughout the years and in different contexts (Matten, 2006). Issues such as the role of businesses in society, the stakeholders, the scope of responsibility, the role of regulation and society-business relations all contribute to different perspectives, approaches and substances of definitions for CSR. In this dissertation, I choose two definitions which I am going to follow with regard to CSR. The first definition is according to the ISO 26000, a corporate social responsibility tool which is one of the tools used by Landsbankinn in the process:

Corporate Social Responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that:

1. Contributes to sustainable development, including health and the welfare of society.
2. Takes into account the expectations of stakeholders.
3. Is in compliance with applicable law and consistent with international norms of behavior.
4. Is integrated throughout the organization and practiced in its relationships (ISO, 2011).

Porter provides a bit more practical approach by saying that companies should operate in a way that secures long term economic performance, by avoiding short term behavior which is socially detrimental or environmentally wasteful. CSR must be rooted in the relationship between society and business and anchored in the core of strategic planning and activity of the company (Porter & Kramer, 2006).

3.3.2 Critique on CSR

Despite the fact that many agree on the essentiality for companies to take responsibility for their activities, there is still no clear conclusion in the business literature on the correlation between environmental and economic performances. While some of the literature views positive relationship between implementation of CSR and profitability (Ameer & Othman, 2012; Dowell, Hart, & Yeung, 2000; Hart, 1997; Lovins et al., 1999; Porter & Kramer, 2006), others claim that environmental efforts are costly, and a burden on the company's account and might damage profitability (Walley & Whitehead, 1994). This approach, summarized in the famous quote 'talk is cheap, environmental efforts are not' (Walley & Whitehead, 1994), views the costly side of environmental regulation without considering the benefits, is often called the 'win-lose perspective'. It is based on the costs a company invest to comply with environmental standards (from regulation or other mean of pressure), in comparison with the direct benefit derived from the process (Porter & Kramer, 2011). This perspective frames the relationship between business and environment as a zero sum game, where environmental protection can be achieved only by reducing economic profitability (Walley & Whitehead, 1994). This perspective ignores the fact that the two can co-exist and benefit each other due to innovation, creativity and long term planning.

There is a large number, and keeps on growing, of international CSR standards, management tools and rating agencies. Each of them have their own accountability processes, business conduct, governance requirements and

efficiency indicators, despite the fact that they are all supposed to measure CSR. There is neither agreement on the meaning of the term, the indicators or the measurement tool (Laszlo, 2005). Due to the fuzzy situation, there is a lot of uncertainty and confusion in the field of CSR, playing into the hands of the critics and causing many companies to view it as a complex and costly process for the firm resulting in degradation of the importance of the issue (Jamali, 2008; Robinson, 2004).

Even so companies acknowledge the importance of CSR, and decide to implement it. Using management tools and approach evaluation (rating) agencies for recognition, there are still many obstacles to overcome on the way to transparency in the field of CSR. Along with the major problem of multiple standards, there is also difficulty in the measurement of performance. This results in too many measurement indexes, measuring different things, using different methods, all under the CSR umbrella or framework (Porter & Kramer, 2006). Some of the measurements are too general, others too detailed, and it's not always clear what matrix the rating agencies use to base their findings (Scholtens, 2009).

Also, the legitimacy of the reports published by the companies is sometimes questionable. The issues are of access to information and the reliability of it. The report is conducted by the company, which controls the information that will be published and what remains concealed (Porter & Kramer, 2006). Another problematic aspect of the current measurement system (or disclosure system) is that it shows the indicators only from the perspective of the company (rates of emission, hours of community work) instead of trying to portray the impact of a company on social and environmental aspects. Even rarer in those reports is the final goal the company aims to achieve and the progress made along that way (Porter & Kramer, 2006).

3.3.3 Summary

Despite the long history, the concept of CSR is still controversial, and we are far from reaching consensus about the meaning and structure of it. This uncertainty causes confusion and complexity about the concept and harms the willingness of firms to engage CSR activities.

3.4 European perspectives on CSR

In 2000 the European Council set the goal of using CSR as a tool in its strategic policy on the move towards becoming the most progressive, dynamic and competitive economy of the world, which is able to sustain its own economic growth (De Schutter, 2008).

As we have seen in the historical background, the major part of the CSR concept was developed in US, but since it made its way to Europe and other countries of the world, this concept has developed slightly differently in each local context.

The term of CSR has evolved and expanded over the years in Europe. The ideas of CSR were known long before, but it was officially introduced by the European commission as an official policy only in 2000 (De Schutter, 2008). Since then, we can witness the change from a very vague and ambiguous definition of CSR published by the Commission of the European Communities, in the beginning of the 2000s, stating that CSR is 'a concept whereby companies integrate social and environmental concerns in their business operation and their interaction with their stakeholders on a voluntary basis' (Commission of the European Communities, 2001). This later grew into more inclusive and clearer approach towards society and environment, three years later. In 2003, the definition of CSR issued by the Commission of the European Communities changed into: 'A concept that an enterprise is accountable for its impact on all relevant stakeholders. It's the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large' (Commission of the European Communities, 2003). This approach continued to evolve and develop through the last decade, becoming a more significant and solid policy, until by the end of 2011, the Commission of European community had to issue new definition and framework for CSR. The new definition states that, in order to fully meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders" (Commission of the European Communities, 2011). In addition to redefine CSR into a clearer and firmer concept, the commission announced embracing a proactive approach towards promoting CSR agenda throughout the entire EU (Commission of the European Communities, 2011).

As a whole, the European approach to CSR is that it remains a voluntary initiative of the corporations themselves. This leads to major differences between countries as regarding awareness and implementation levels of CSR (Mandl, 2005). Because of that, it is very hard to point out one specific direction or trend of the European view on the CSR issues. When comparing the activities of the major corporations of US and Europe, general differences are found in the perspective of the place of business in society, leading to different view over the meaning of CSR. Companies in the US focus on the ethical and social aspect of their activities, emphasize activities separated from the production

process, such as codes of ethics and volunteering activities. In Europe on the other hand, CSR activities of companies is expressed mainly in the production process itself, where the effort is put on environmental and quality management systems, in an attempt to increase environmental protection achievements (Maignan & Ralston, 2010).

Those findings take us back to the cultural and historical structure of society in both continents, and the place of the business units in it, as a way of providing explanation for the differences. Businesses enjoy a pretty positive image in public opinion in the US, where they are seen as an integral part of social and financial development and as contributors to these processes, where whole communities are built around certain corporations and depend on them. In addition, American society places high importance on the values and social activities that a business promotes. In order to be considered a responsible organization, a business should take care of the visible sides of the company such as welfare, philanthropy and charity, leaving the procedural activities to a second priority (Maignan & Ralston, 2010). In Europe, traditionally the state is in charge of social and welfare issues, not the businesses. Therefore, public opinion is very skeptical and suspicious about businesses motivation of getting involved with philanthropy, so they gain little credit from getting into social affairs. This explains why companies prefer to focus on improving and reducing negative impacts of their procedural activities in attempt to develop their image and avoid public criticism due to environmental or financial failures (Maignan & Ralston, 2010). Unlike the American CSR, the European version indicates a less value driven process, and is more focused on stakeholders and procedures.

3.5 Creating shared value

Creating Shared Value (CSV) is a new approach that embodies the next step in research and views of the relations between society and businesses. The CSV perspective goes beyond compliance to regulation and following ethical standards, it represents a new wave of CSR: creating economic value throughout creating societal value (Porter & Kramer, 2011). This approach represents a way to combine local community, societal needs and business profitability, by creating shared value between all of those. In order to achieve that, business need to create local cluster development: identify the gap and deficiencies in the community where the business operates, target certain weakness that the business is best equipped to address, and ensure efficient productivity and business activity. Identifying these issues opens opportunity both to increase company's ability to influence and open new markets and

opportunities for profit (Porter & Kramer, 2011). CSV approach is putting the societal issues into the business strategy and claims to be the next major step in CSR and regenerating the legitimacy of businesses. In this current thesis however, I will not address this approach despite being the state of art in the field. The reason behind that is that CSV approach is referred to as “the next step of CSR”, meaning it is a gradual development process. Progressing along the steps and not skipping them is an important part of creating a solid foundation for CSR and potentially later shared value.

3.6 CSR in the banking sector

The role of the banking system in society is to be the financial intermediate. It is done by valuing and pricing financial assets, monitoring borrowers, establishing payment systems and dealing with financial risks. The banking system sets the framework for financial flow in society (Scholtens, 2009). The banking system is a key player in the economic development of the society, including sustainable development. One of the first realizations of role of banking system in sustainable development started with the publication of the book ‘Financing Change’ by Schmidheiny and Zorraquin in 1996. In their book, they introduce the idea about the connection between environmental protection, sustainable development strategy and the financial community, emphasizing the key behind financial sector’s support at achieving global goals of sustainability (Schmidheiny & Zorraquin, 1996). The publication of the book had quite an impact on forming the responsible banking idea which has been a growing trend ever since in all the western world (Weber, 2005).

3.6.1 Development of CSR in banking

The term responsible banking refers to banks which follow the principles of CSR that have been described above. Similar to the case of CSR, there is no universal definition of the concept of ‘responsible banking’, and each institution decides for itself the meaning and the impact of it on its activities. In general, responsible banking represents concern over both the internal and external impact of bank’s activity on economy and environment, and the willingness to take responsibility of those impacts (Callado-Munoz & Utrero-Gonzalez, 2011; Scholtens, 2009). At the beginning of CSR trends in banking, the focus was mainly on the very direct effects of bank activities on the environment. The banking industry is considered as being relatively ‘clean’ industry, and the direct effects considered not to be significant (Jeucken, 2003). However, when we examine the scope of the financial sector in relations to all the other

sectors, the banks clearly have the potential both to benefit and to contribute to reaching the goals of sustainability (Jeucken, 2003).

The ways of achieving sustainable banking means that internal and external processes have to be reviewed and actions have to include all the stakeholders of the bank. This process can take many forms, from saving costs by improving internal efficiency processes and serving as a role model demonstrating that it 'pays being green', up to introducing environmental risk management as a part of credit management, thus viewing environmental responsibility as a business opportunity (Weber, 2005).

In recent years there is a more proactive approach towards addressing the 'indirect effects' of financial activity, tackling environmental and social problems from a financial perspective, generating concepts such as responsibility over lending activities, risk management, non-financial accountability and reputation (Vigano & Nicolai, 2006). Nowadays, the banking industry is moving towards incorporating its indirect effects on the environment and society into core business, trying to manage responsibilities through different CSR instruments and activities: codes of ethics, sustainability reporting, establishing environmental management systems and stressing the importance of transparency. A survey conducted among European banks revealed that banks use on average 17 different CSR management tools in attempts to translate those responsibilities into strategy and practices (Vigano & Nicolai, 2006). Corporate social responsible financial institutions provide their customers with green products such as funds for investments in environmentally sound projects, responsible investment policies and social commitment to society both internal and external (Equator-Principles, 2011; FTSE, 2011; Landsbanki, nd).

Some of the most common outcomes and activities of CSR in the banking industry include the embracing of an environmental management system and certifications from international standard agencies such as EMAS³ or ISO 14001 (Arapoglou, 2006). Another practice is investment and extending the bank's activity into local society, investing in local community events and welfare along with dedication in developing the internal labor force in the bank by improving the working environment, education and training programs and promotion of health programs for employees (Arapoglou, 2006; Scholtens, 2009). There are many different aspects and results of CSR in the banking industry depending on the bank's definition of the meaning of CSR to the organization.

³ Eco-Management and Audit Scheme (EMAS, 2012)

3.6.2 Responsible investments – CSR in practice in the financial sector

CSR in the banking system may have been portrayed in different ways, but there is agreement that the most significant product of responsible banking is socially responsible investments (SRI). Socially responsible investments are defined as those that take into account the non-financial performances of investment options as part of evaluation for the investment process. Evaluation of social and environmental along with economic factors, allows investors to manage their funds in accordance with their values and missions (Scholtens, 2009).

Investment managers look for successful businesses to invest in. Accessibility to accurate information increases the chance of making a well informed choice in allocating resources (Greenwood & Jovanovic, 1990). Firms which employ CSR, practice transparency, measure and report their performances as part of CSR, increase their chances of receiving funds. This demonstrate the mutual benefits the companies and the banking system derive from CSR, and the general benefit for society, since efficient resource allocation will boosts economic development (Scholtens, 2009). The SRI principles of responsible investments work in both directions, as discussed earlier. Socially responsible investment is a major driver for companies to embrace such policies and improve their performances (Porter & Kramer, 2006) along with providing extra information and safer, lower risk investments for fund managers (Kiesel , Scherer, & Zagst, 2010). Socially responsible investment is becoming one of the most significant practical tools of corporate responsibility in the financial sector (Kiesel et al., 2010).

Generally, banks who practice CSR incorporate the principles of responsible investments into their lending policies. By setting the rules in a way that financial benefits will be given for those who follow the values of responsibility, the fund managers encourage firms to turn to this direction, thereby providing an economic incentive (Hoffman, 2000).

The financial institutions implementing SRI most commonly base their evaluation and screening guidelines on two international voluntary initiatives: The Equator Principles which are grounded on the World Bank recommendations on environment, health and safety issues (Equator-Principles, 2011) and the indication matrix established and used by FTSE index company, which created the FTSE4GOOD index (FTSE, 2011).

The Equator Principles are a credit risk assessment framework. The principles can be adopted by financial institutions as guidelines to apply when evaluating project for investment and in a later stage, for assessing responsible

management as well (Equator-Principles, 2011). The principles state that projects must fulfill the following criteria in order to be eligible for investments:

- The project must be assessed and analyzed according to criteria of social and environmental risk and impact.
- The project must fit social and environmental standards which are defined by the World Bank.
- The projects must include social and environmental impact monitoring and mitigation measures.
- Community involvement and well-being must be ensured.

The Equator Principles put special emphasis on projects which are made in non-OECD countries or low income countries, thus being at high risk for social and environmental injustice (Equator-Principles, 2011).

The FTSE4Good is a world known sustainability index, which provides information about social and environmental performances to investors. The index is designed to measure the non-financial performances of companies, the CSR aspect of company activities, and to provide the results to potential investors. The agency screens companies worldwide, and identifies those who have a CSR policy and examines how they execute their environmental and social commitments. The FTSE4Good measures performances and dedication to activities in the following issues: Environmental management, climate change mitigation and adaptation activities, fighting corruption, human and labor rights, and supply chain standards (FTSE, 2011).

Embracing and following SRI principles into lending policies generates improved product and services of the banking system. Although the frameworks have shortcomings, companies who follow them and investors who use them in the decision making process benefit from using them as they have the potential of improving performances and reputation, along with increasing profitability (Baines, 2009). Recent studies show a positive correlation between a banks CSR policy performances and financial outcome (Scholtens, 2009).

3.7 Chapter summary

The concept of CSR refers to all existing industries and social units. Financial activity is a crucial part of economic activity in society, putting emphasis on responsible aspects of activity providing a foundation for responsibility to the whole market. The fact that financial institutions acknowledge the responsibility and effect they have on market and society, and are willing to take a responsible stand in this matter helps to legitimize their position as a bridge between the society and the economy.

4 CSR management tools

In this segment, I will review the management tools Landsbankinn chose to manage the process. Each of these tools represents another aspect of the CSR concept and the change requirements.

4.1 Introduction to tool management

As a result of the development in the area of sustainability and CSR around the world, as we witnessed in the literature review, there has been tremendous growth in the amount of tools of reporting, managing, guiding and monitoring the CSR efforts of companies (Cetundamar & Husoy, 2007; GRI, 2012). The idea behind establishing international standards for corporate responsibility is based on the idea that there are certain universal values which should be shared by all the businesses in all the societies (Chen & Bouvian, 2009). Stakeholders pressure on companies to embrace and operate according to those values is rapidly increasing, leading to the creation of tools for companies to address these pressures (Schwartz & Tilling, 2009). Companies are expected to be aware of the impact their activities have on environment and society, participate in reporting and management initiatives to demonstrate transparency and devotion to CSR (Sethi, 2003). The importance of membership in these initiatives is rising and becoming one of the requirements for cooperation and funding from stakeholders (Chen & Bouvian, 2009) and secure network opportunities (Cetundamar & Husoy, 2007).

According to Landsbankinn's CSR specialist and the bank's policy statement, the bank uses several management and reporting tools for implementation of CSR in the company. Each tool means to address different needs and highlight angles in the overall process. Due to the significant amount of the existing tools, I will review here only those who are used by Landsbankinn and relevant for this current project.

The tools and initiatives Landsbankinn intend to use within the process are shown in Table 1.

Table 1: CSR management tools

Name	Organization	Aim	Certification	Reporting
Global Compact	United Nations	Companies commit to incorporate principles of social and environmental responsibility within their business strategy.	No certification process	The reporting is obligatory, however there is no third party verification on the content
ISO 26001	ISO – international standard organization	Roadmap for implementation of CSR within a company.	No certification process	No reporting process
GRI – global reporting initiative	GRI	Providing measurement and reporting framework	Certification provided according to the level of reporting	Reporting regarding the process obligatory
PRI – principles of responsible investments	United Nations Initiative	Commitment to principles of responsible investment for financial institutions	Certification without verification	No reporting and enforcement mechanisms
UNEP FI – United Nations Environmental Program Financial Initiative	United Nations with cooperation of leading financial institutions	Framework promote the link between sustainability and financial activity	No certification	No reporting requirements

As a result of the dramatic development in the sphere of sustainability and CSR around the world, as we witnessed in the literature review, there has been tremendous growth in the amount of tools of reporting, managing, guiding and monitoring the CSR efforts of companies (Cetundamar & Husoy, 2007; GRI, 2012). The idea behind establishing international standards for corporate

responsibility relies on the belief that there are certain universal values which should be shared by all the businesses in all the societies (Chen & Bouvian, 2009). Stakeholder pressure on companies to embrace and operate according to those values is rapidly increasing, leading to the creation of tools for companies to address these pressures (Schwartz & Tilling, 2009). Companies are expected to be aware the impact their activity has on environment and society, participate in reporting and management initiatives to demonstrate transparency and devotion to CSR (Sethi, 2003). The importance of membership in these initiatives is rising and becoming one of the requirements for cooperation and funding from stakeholders (Chen & Bouvian, 2009) and secure network opportunities (Cetundamar & Husoy, 2007).

According to Landsbankinn CSR specialist and policy statement, the bank uses several management and reporting tools for the implementation of CSR in the company. Each tool is meant to address different needs and highlight angles in the overall process. Due to the significant amount of the existing tools, I will review here only those who are used by Landsabankinn and relevant for this current project.

4.2 The United Nations Global Compact

This is the largest voluntary corporate initiative in the world in the field of corporate citizenship. Officially launched in 2000, UN Global Compact (UNGC) aims to attract companies that desire to express their strong believe in “businesses practices which are rooted in universal principles contribute to a more stable and inclusive global market, helping to build prosperity and a thriving society” (Global-Compact, 2010).

4.2.1 About United Nations Global Compact

UN Global Compact initiative is a voluntary non-binding initiative which sets general ground rules, goals and principles of behavior to the companies who choose to join it. The companies express general commitment to integrate the UN Global Compact principles in their daily operations, decision making and organizational culture. The actions and progress of the companies joining the initiative are not monitored in any way. However, the companies must issue annual reports regarding their activities according to the principles (Global-Compact, 2012). In addition, as a part of their participation in the initiative, the companies are expected to make an annual contribution to the Global Compact fund (Global-Compact, 2010).

The benefits of participation is that the UN Global Compact provides the companies with a model for implementation of a sustainability strategy, and

tools and guidelines to follow the path of integration of environmental and social issues into overall operation. Following those guidelines and tools holds a potential of improvement of the operational efficiency, participating in a network with other organizations, access to experiences and practicalities. Additionally, being a part of such initiative contributes to the reputation of the company (Global-Compact, 2012). The UNGC is a multi-stakeholders initiative, which supports and encourages cooperation between companies on a global level, putting the responsibility on global private governance and policy making (Cetundamar & Husoy, 2007).

UN Global Compact states itself as being a 'simple yet broad and flexible model' for companies to follow. It gives the participants 10 principles in four categories to incorporate into their overall strategy, those principles are based on core values which are:

- Human rights: business should support and respect internationally accepted human rights both in work place and within the whole sphere of their influence, ensuring that the company is not involved in any kind of human right violation or abuse.
- Labor: uphold the freedom of labor association, labor rights, prevent abuse and child labor, and avoid any discrimination of employees.
- Environment: business should support the precautionary principle regarding environmental issues, take initiative to promote environmentally sustainable practices, develop and encourage diffusion of environmentally friendly technologies in their operation: pollution prevention, cleaner production process, environmental policies, monitoring and management of resources and any other attempt of incorporating principles of sustainability in the overall strategy.
- Anti-corruption: businesses should work against all forms of corruption within the whole sphere of influence and activity. Implement zero tolerance policy towards corruption and follow codes of conduct. Establish training programs for employees about corruption, finding ways to identify it and emphasize ethical culture within the organization. In addition, a company must institute accountability and transparency, anchoring an efficient reporting system.

The principles that are relevant for my paper, and for the activity of Landsbankinn, are mostly focusing on the last two fields, environment and anti-corruption, since the rest are less relevant for the specific case of this bank. Despite the fact that there is no monitoring system within the UN Global Compact, the initiative does emphasize the importance of communication on progress (COP) requiring issuing of an annual report. Global compact states that

the importance of the report is not between the company and the organization, rather a tool of communication between the company and its stakeholders. This is done to increase accountability, transparency and ensure company's credibility and commitment to engagement in CSR.

The required submission of an annual report is a condition of participation in the initiative, and it contains three elements; 1) statement of support in the UN Global Compact actions from the management, 2) description of the practical actions taken to implement the principles of Global Compact in the company's strategy and 3) measurement of outcomes and progress. A company which will not submit the required report will be downgraded to 'non-communicative' and after a year will be excluded from the initiative. However, each company is responsible for the reports and UNGlobal Compact doesn't provide tools to verify the reliability of this information.

4.2.2 Critiques on UN Global Compact

One of the main problems with the UN Global Compact is that it is up to each company to control what parameters will be reported and which ones will not be accounted for. This is a non-binding initiative and gives the companies' very vague parameters of progress measurement, and leaves the companies the freedom to decide to which degree they want to report (Chen & Bouvian, 2009). The example of this problematic issue can be found in the fact that Landsbankinn has been a member of the UN Global Compact from 2006, and in fact submitted its first full report in the beginning of October 2008 (Global-Comapct, 2012), just few days before the financial crisis, which had been caused by un-ethical asset management of the bank (Ólafsson, 2011). Hence, the claim that participating in UN Global Compact sends a strong message to the entire organization (Global-Comapct, 2010) falls flat when examining the case of Landsbankinn, which started the process of implementation of CSR policy only 5 years after signing in.

Today, Landsbankinn participate in the UN Global Compact initiative in order to be a part of international business network and enjoy the benefits provided from it: sharing ideas, examples and contacts in the sphere of CSR (Sveinsson, personal communications).

Contributions: Global Compact for Landsbankinn is setting general principles and outlines to follow in the bank activity. This initiative importance is mainly reputational and providing good network opportunities.

4.3 ISO 26000

Among all the multiple existing standards and management tools, the ISO 26000 is becoming one of the most influential and popular to be adopted by companies and recognized by the stakeholders (Castka & Balzarova, 2008).

4.3.1 About ISO 26000

In the recent years, strong emphasis has been given to social and economic responsibility of businesses, in addition to the environmental ones (Schwartz & Tilling, 2009). This opens the way to creation of ISO 26000, providing harmonized and globally relevant guidance for incorporation of CSR in public and private sector, based on consensus between the main stakeholders, and suggesting a supplement to the ISO 14000 (environmental management standard) and ISO 9000 (quality management) standards. The 26000 standard adds social aspect to companies' activities and gives a more holistic framework than only in environmental aspect (ISO, 2010b). As opposed to the other ISO standards, there is no third party certification standard for ISO 26000. Hence, it doesn't contain specific parameters or measurement and reporting requirements, rather providing companies with a tool to manage the change required in embracing principles of CSR into their strategy (Castka & Balzarova, 2008). The standard provides seven core subject principles for CSR, brought together in a holistic interdependent approach. The subject areas are human rights, labor practices, environmental issues, fair operation practices, consumer issues, community involvement and development.

ISO 26000 offering change management processes to follow during implementation of CSR, providing tools and methods to recognize the relevance of its principles to each business, translating them into actions and following outcomes and feedback (ISO, 2010a). ISO 26000 also gives guidelines of integrating social responsibility throughout the entire organization and offers an overview on the best practices of implementation evolved in the field of CSR (ISO, 2010b). ISO 26000 is supposed to be applicable for all size of businesses and written in a very accessible way, in order to be able to be implemented not only by professionals. The initiative focuses on the practical aspect of CSR implementation, suggesting a combination of the broad view on society and stakeholders with hands-on practices and steps to follow in the process of translating those into actions (Castka & Balzarova, 2008).

The ISO 2600 provides a flexible roadmap that organizations can follow when implementing CSR (ISO, 2010b). This is the main reason behind the decision of Landsbankinn to choose ISO 26000 as one of the main tools of change management (Sveinsson, personal communications). According to the

CSR specialist in Landsbankinn, the organization chose to use the ISO 26000 management tool because it provides a deeper understanding of how things should be done, action plan and guidelines for implementation of CSR (Sveinsson, personal communications).

4.3.2 Critiques on ISO 26000

Some critics have risen over the whole idea of standardization of such a complex issue as sustainable development which can be problematic (Schwartz & Tilling, 2009). Sustainable development and CSR which is the expression of sustainable development from a business approach is very specific and complex, required to be a context adjusted and holistic approach. Putting this complex picture into a 'one solution' pattern of standardization creates a risk of decontextualizing the very essence of CSR in the process of implication in businesses (Schwartz & Tilling, 2009). In addition, ISO 26000 focuses heavily on definitions and processes, leaving very little space for creating and measuring actual results and change in performances.

Contribution: As opposed to UNGC, ISO 26000 provides not only the principles which should be incorporated in the companies' activities, but also practical ways for integration by suggesting steps to follow and guide the organization not just by telling it what to do, but also, how to do it.

4.4 Global Reporting Initiative

Global Reporting Initiative (GRI) is a non-profit organization which aims to promote economic, social and environmental sustainability, providing companies with a measurement and reporting tool to assess their performances in the field (GRI, 2012).

4.4.1 About Global Reporting Initiative

The GRI reporting system focusing on four core subjects and offers measurement indicators for the following areas; environmental, social, economic and governance performances. Establishing sustainability reports process helps companies to manage the shift towards sustainability, using the principle of 'what gets measured, gets managed' (Laszlo, 2005). Companies can benefit from using the GRI reporting initiative by choosing the means to achieve specific goals, and monitor the processes effectiveness. Measuring and reporting assist the company to grasp a wider view on the process, and understand the company's positive and negative impacts. The framework that GRI provides to companies is meant to address those needs (GRI, 2012). In addition, the GRI guidelines and reporting indicators are revisited and updated

every few years in order to match the fast changes in the sustainability sphere. According to 2012, the newest edition is G3.1, the full new version, G4, represents the fourth generation of sustainability reporting guidelines and is scheduled to be released during 2013 (GRI, 2011b).

4.4.2 The GRI structure

The reporting standards of GRI present possibility of several degrees of disclosure, representing the extent of disclosure of the company: A – for a corporation which reports on all of the indicators of GRI which are relevant for particular sector, B – for corporations which report on at least 20 different indicators and C – representing organizations which report on 10 indicators. GRI provides a roadmap for companies, containing five general steps of implementation of sustainability policy and generating an efficient reporting system: 1) Preparing the organization for change, 2) connecting with stakeholders in order to identify the critical issues, 3) defining change and conduct indicators, 4) monitoring the process towards the goals, 5) collecting data, reporting and communicating both internally and externally. The guidelines refer to both how to report and what to report, guiding the companies through the challenges they need to overcome. This roadmap is done in a way that can be applied in every company, no matter size, sector or location (GRI, 2011b).

The guidelines consist of performances indicators, reporting principles and guidelines which are meant to assist companies to define their own goals and help them recognize the means to get there and insure that the indicators represent consistency between goals and actions. GRI provides sector supplements which aim to offer interpretations of how to apply its general guidelines in specific sectors and industries, and giving sector specific indicators. GRI encourages companies to perform strategy analysis in order to understand how the principles of sustainability can be incorporated in the overall organizational strategy (GRI, 2011b).

The guidelines which are offered by GRI for companies to adopt the standard is meant to help internal stakeholders to monitor the progress within the company, and external stakeholders by promoting transparency of actions taken. The idea behind it is that transparency can serve as a tool to hold actors and decision makers accountable, and empower a more responsible standard for the companies (Dingwerth & Eichinger, 2010).

Using GRI reporting initiative will serve as a framework to organize and manage the reporting system in Landsbankinn, helping to recognize the standards which need to be met. The standard is one of the most popular in the

world and will give the banks CSR efforts more official legitimacy (Sveinsson, personal communications).

The GRI provides tools of measurement and reporting, which are essential for successful implementation process. GRI provides to Landsbankinn indicators to monitor the progress and tools to communicate this progress to the stakeholders, contributing to accountability and transparency.

So far we reviewed international universal tools for management and reporting on CSR issues. The next tools are industry specific for the financial sector, aiming at putting environmental and social issues into the decision making process. The goal of those initiatives is to shift the process of treating CSR issues as external and incorporate social and environmental threats into account for decisions regarding investments (Gray, 2009).

4.5 United Nations Principles of Responsible Investments

This initiative is a network of investors created in a partnership with United Nations Environmental Program Finance Initiative (UNEP FI) and UN Global Compact. This initiative is aimed at investors who are looking for way to incorporate principles of sustainability in their investment decision making (PRI, 2012). The participants are investors and financial institutions, which by signing the initiative commit to the following principles.

1. Incorporate ESG (Environmental, social and governance) issues into investment analysis and decision making process.
2. Be an active owner and incorporate ESG issues into ownership policy and practices.
3. Seek for appropriate disclosure on ESG issues at the subject of investments, ask the companies to use reporting tools (such as GRI), look and be aware of information regarding the non-financial performances.
4. Promote acceptance and implementation of the principles within the investment industry. Promote creating standards and benchmarks among investors regarding ESG issues, support regulation and policy development.
5. Work together to enhance our effectiveness in implementing the PRI – participate in networks, sharing information, tools, knowledge and increase the importance of ESG principles in decision making.
6. Report on activity and progress in implementing the principles, disclosure regarding how ESG issues are integrated within investment practices.

The UN PRI principles (called PRI for short) were developed by groups of international investors and institutions, realizing the importance and influence of ESG (Environmental, Social and corporate Governance) issues for investment practices (PRI, 2012). PRI was developed to assist investors walk the talk and to integrate the PRI principles in their investment activities. The PRI program is managed by the secretariat offering support, facilitating collaboration, sharing knowledge and experience, and bringing the best practices from the field of CSR in financial sector. It played an important role in efforts to incorporate environmental and social issues into financial decision making worldwide (Gray, 2009).

Despite this important role of PRI, the lack of accountability requirements and enforcement authorities, served as a significant obstacle for PRI to become a truly influential actor in the financial sector worldwide (Gray, 2009).

Contribution: UN PRI provides Landsbankinn specific guidelines and principles from the frontline of the global financial sector. Following those guidelines and incorporating them into policy and operation and insuring that the bank follows the latest global trends.

4.6 The United Nations Environmental Program Finance Initiative (UNEP FI)

UNEP FI is an institution created as a partnership between the United Nations and major financial actors in the world. It introduced the first UNEP FI statement regarding commitment of businesses to sustainability in 1992. The aim of this initiative is to promote the link between sustainability and financial activity by networking, research and training. The initiative promotes the adoption of best environmental and sustainability practices in financial operations worldwide (UNEPFI, 2010).

All the institutions participating in UNEP FI must sign in the UNEP FI statement regarding commitment of their financial institution to sustainable development. Signing the statement represents official recognition of the role of financial sector in the global shift towards sustainable society and economy, integrating sustainability principles into overall operation of financial institutions (UNEPFI, 2012).

The activities generated by UNEP FI for promoting its goals among the participants include, research for best practices and innovations in the field, the promotion of guidelines and other tools of implementation, the development of products and services that promote environmental protection, training for organizations and building capacity, assistance with environmental policy

making, holding local and international conferences and presenting network opportunities (UNEPFI, 2010; Weber, 2005).

Despite the legitimate critics about standardization of environmental and CSR issues, the financial initiatives discussed above provide way for the establishment of a more efficient environmental global regime. The above mentioned initiatives bring together a huge amount of actors and a broad variety of CSR tools and principles, offering more coherent and synchronized option for action, which potentially may contribute to better application (Gray, 2009).

Contribution: Landsbankinn joined UNEP FI initiative in 1992. Landsbankinn recognized that the main contribution of UNEP FI was in provide training and workshops in the bank regarding responsible banking (Sveinsson, personal communications).

4.7 Summary and critiques

Despite the wide range of tools and the rising awareness to the importance of obtaining initiatives membership, the extent of influence on the actual corporate behavior is limited, as has been demonstrated by the case of Landsbankinn. Despite of being a member of UNEP FI since 1992, participating in Global Compact since 2006 and conducting their first report in 2008, all of those didn't caused the bank from avoiding from irresponsible financial behavior which led to the crisis of 2008. This demonstrates that membership and reporting itself is not enough to ensure a real change in the corporate behavior, cultural transformation also depends on organizational culture, tradition, industry specifics and country (Chen & Bouvian, 2009).

Landsbankinn is claiming to use several tools and initiatives in order to create a holistic approach to CSR implementation. This approach might be valid, however, after examining the different tools the bank is intending to use (or using already) there is a risk that too many tools with so many demands, schemes and frameworks will overwhelm the process and will make it hard to choose on which one to focus and follow for a successful outcome.

As we have seen in this chapter, the extent of reporting is in the hands of the companies, leading to a case where they can report only a very limited part of their performances but yet get the advantage of a positive reputation due to participating in reporting initiative. This factor might cause green washing or "satisfying" behavior from the company, meaning, filling the very minimum required to be member of the initiative and enjoy the reputational benefits, but discourage companies to be proactive (Chen & Bouvian, 2009).

5 Managing the change towards CSR

Corporate social responsibility strategy is first of all an organizational and behavioral issue, far more than simply a technological or economical challenge. One of the key obstacles companies must overcome in establishing a solid and sustainable CSR strategy is cultural and procedural barriers (Hoffman, 2000). In this chapter I will discuss how companies deal with the challenge of incorporating CSR, with an emphasis on companies from the financial sector. I explore obstacles and ways to overcome them, and develop a model of implementation to examine the activities of Landsbankinn. I give a general overview on strategy, the reason and drivers behind change decisions, CSR strategy and banking sector, moving on to models of change management, obstacles and solutions, and finally looking into models of implementation of corporate social strategies.

5.1 Overview on the concept of strategy

Every business has a vision about the value it creates and the mechanisms operating in delivery of this value; this is called the business model. A company's business model needs to coherently reflect the value that a company brings to its customers, the expectations customers have for the product or service, how the company addresses those expectations and how the company derives its profit (Teece, 2000). Every business looks for ways to increase its profits, cut costs, improve efficiency, deliver greater value, upgrade product quality, improve its image, boost sales and encourage innovation (Porter, 1996). Performing an add-on of one of those activities without supporting the overall structure will not create a viable competitive advantage (Teece, 2000). A company can outperform its competitors only when differentiating its product and process for a long term and creating operational efficiency, which are all the procedural and structural supporting activities utilizing the inputs (Porter, 1996). This requires a whole system approach, integrating the changes into the business DNA, in a path to install sustainable competitive strategy (Teece, 2000).

5.1.1 Sustainability and CSR Strategy

A well-established and well-designed sustainability strategy can come also in the shape of CSR strategy, and has the potential to lead to many business

advantages, opening new opportunities, raising profits and improving nonfinancial parameters of the company (Maxwell, Rosenberg, Briscoe, & Marcus, 1997; Porter & Kramer, 2006). However, in order to enjoy the benefits of CSR strategy, the company must implement it throughout the organizational structure (Hoffman, 2000). Similar to sustainability, CSR has three dimensions – social, environmental and economic – presenting a challenge for the company to find a balance which will address all three dimensions. Traditionally corporations facing the challenge of addressing issues of sustainability referred mainly to environmental issues, using a division of responsibilities and separating the environmental issues from the overall organization and other departments (Hoffman, 2000). Environmental considerations were not thought of as being relevant for the primary priority of the company and their solutions were seen as an external cost, with no potential for a return on investment (Walley & Whitehead, 1994). However, the modern view on CSR puts environmental aspects into overall considerations of the company, alongside social and economic aspects. Embracing such an approach requires changes in the way business is done and like every other strategy, implementing a CSR strategy requires a shift in organizational culture and structure. Managers need to create a working environment which supports the process and encourage employees from all levels and departments to engage in the change. The aim of implementing a CSR strategy in organization is that environmental considerations would become an inseparable part of any decision making and general business strategy (Porter & Kramer, 2006).

5.1.2 A principled versus tactical approach

Despite the great potential of implementing sustainability strategy, companies often make statements on sustainability policy and its environmental standing as way of gaining a positive reputation by promoting high profile PR actions such as policy statements or philanthropy events (Hoffman, 2000; Van Lee, Fabish, & McGaw, 2008). Sustainability has become a fashionable concept in recent years and many companies have been interested in enjoying the benefits it provides. However, some companies are less willing to perform the needed changes to incorporate sustainability into the strategy (Dahl, 2010). Some companies want the reputational advantage and turn to sustainability as a marketing and reputational tool, rather than thorough implementation derived from principles. Such an approach is borderline green washing, risking putting the ethics of the company under question (Dahl, 2010). A tactical attitude to CSR is characterized by a lack of overall strategy of implementation or whole-system plan. The actions made are discrete and not part of a holistic

change approach, they are driven by opportunistic motivations often focusing on only one specific aspect of the company's activity (Macdonald, 2012).

A tactical approach to environmental strategy has the ability to create short term success for the company, though it will not create competitive advantage and differentiate the company from competitors. Simple actions are easy to imitate. In fact, using a tactical approach to CSR and green washing puts the company under reputational hazard in case the public discover the truth behind the great statements, and the reputational damage can cast a shadow on all other activities of the company (Frederick, 2006; Hoffman, 2000).

5.1.3 Implementing CSR strategies within the banking sector

Integration of CSR into business strategy in the financial sector began around 20 years ago. Since then several practices have emerged from the experience in the field (Weber, Fenchel, & Scholz, 2005). Integration of CSR in the banking sector is mainly found at two levels of operation: 1) incorporation of CSR principles into the internal process of the company, and 2) translation of the principles of CSR into the external operation level, including the process of establishing responsible banking and developing sustainable products and services for customers (Weber, 2005).

Every organization, once it has decided to incorporate CSR into overall strategy has to decide for itself, with the involvement of the stakeholders, the objectives but for each and every company those objectives might be very different and depend on a variety of factors (López-Gamero et al., 2010). However, from examination of CSR activities of leading banks in the world, there are a few common practices that can indicate the general direction for which financial institutions deciding to implement CSR policy should aim.

The internal process aims at reduction of the negative effect that a bank, as a business organization, has on environment and society. This includes reduction of resource consumption such as water or electricity, improvement of social performances such as gender equality and ensuring access of disabled people, reducing commuter impact, establishing sustainable procurement policies, and funding a firm measurement and reporting system to follow the CSR implementation process (Weber, 2005). Those practices are common to businesses from most sectors, and based mostly on the effects of any given business as a social unit and employer of people.

The external level of implementation addresses the industry specifics and relates to the core activities of the banking sector, since the CSR strategy comes to reality through the products and services of the businesses offered to external stakeholders.

When it comes to products and services of the financial sector, implementation of CSR into business strategy can be expressed through change in existing products and creation of new ones. Such products and services can be: only investing in environmentally and socially responsible projects and companies, financing institutions that are working towards fostering of sustainable development processes such as health, education or renewable energy, giving green loans to projects for social or environmental goals with reduced interest rates, or giving green mortgages to houses with better environmental performances. In addition, leading financial institutions could offer clients from all the sectors sustainability consulting in order to improve the performances of their businesses and houses along with improvement of interest rates from the bank (Weber, 2005).

All the actions mentioned above aim to reinforce company policy by setting standards and benchmarking of how the banks do business and with whom. Among the criteria found are: violation of human rights, production and trade of military goods, speculations, irresponsible trade in developing countries, production and trade of tobacco, harmful chemicals and fossil fuels, conventional farming, or companies performing experiments on animals and trade of fur (Weber, 2005). The aim of these criteria is not only rejection of companies that do not fit the standard, but also reinforcement of sustainable and responsible behavior. Companies that already incorporate those principles get better opportunities than companies that do not, and the latter get incentives to work in the right direction. Some of the banks try to identify potential improvement within companies and offer them to work towards CSR, in order to enjoy the benefits of better credit rating.

Banks benefit from embracing CSR standards and by avoiding investments in harmful sectors risk in credit management can be reduced (Dowell et al., 2000). Although there is no clear connection between corporate values and behavior, studies show that values do have an influence on corporate reputation, product quality and risk mitigation (Van Lee et al., 2008). Companies that integrate principles of sustainability show improvement in overall performances and increase in market value and hence are safer source of investments (Dowell et al., 2000). Banks that truly incorporate principles of CSR into their overall strategy gain both in risk reduction and increased chances for revenues and profits. Those banks do not offer sustainable products as a sort of specialty, rather they make such products an integral part of how business is done. Only by implementing the principles of CSR in all credit and risk management processes, can the potential benefit from the process occur (Weber et al., 2005).

5.2 Change management model

During my research I carried out a case study of Landsbankinn activities in CSR, which I present in chapter 6. In this section I look into a change management model which could address the current situation of the bank and answer the obstacles which need to be overcome to establish an effective and efficient CSR process. Here I introduce a change management model which I developed and which will be used in chapter 7 to assess the implementation process of CSR in Landsbankinn.

5.2.1 Change management models overview

Despite the potential benefit of embracing CSR strategy, generating environmental protection and social sustainability along with financial and social benefits is not an easy process. Implementing any kind of change in business is a challenge, especially when it comes to such a broad change as embracing new business strategy. In order to increase the chances of success of the process, Landsbankinn must take some complex steps to identify the optimal type of CSR suited to its reality. This requires creation of an appropriate environmental profile which will address both environmental standing of the company and financial profitability (Schaltegger & Synnestvedt, 2002). In order to handle such a complex process, the company could use change management tools to approach the process in organized and coherent way. A change management model helps mapping, organizing, planning and following the process of change (Ameer & Othman, 2012).

In the literature there are multiple change management models, and it is very hard to define and find the most compatible for each specific case, or the 'best one' in general. In addition, different articles and models that present change management practices have many similarities on how the change process could be carried out to increase its efficiency (Raineri, 2011). In reviewing the literature about change management a picture emerges where the same principles and elements of change management repeat themselves through different models and authors, in different constellations, but the core ideas remains the same, that is: 1) change starts with identification of the need for change, 2) evaluation of the current situation, 3) development of vision about the desired situation, 4) creating a detailed plan of achieving this vision, 5) setting ambitious but realistic goals, 6) short term wins, and 7) stages for progress and timing of the process. There are a great number of management tools which creates confusion and increases inefficiency as a company makes a choice of which tools are best in use (Porter, 1996). Despite the wide literature in the field, each company when implementing change, still faces multiple

challenges such as: 1) handling different stakeholders' interests, 2) establishment of the linkage between values and goals, 3) raising the sense of urgency among employees to facilitate and foster execution, 4) use of communication throughout the process and 5) generation of leadership commitment (Beer & Walton, 1990; Hoffman, 2000; Jones, Aguirre, & Calderone, 2004; Kotter, 1995; Raineri, 2011).

To fit the needs of Landsbankinn, I decided to choose three models which represent different perspectives. These models complement each other. I synthesized them into one model, which serves as a framework for evaluating the work of Landsbankinn towards the implementation of the CSR policy. The aim was to come up with a model that will address the current situation of the bank and will include steps for a successful implementation of CSR.

The synthesized model is useful for an organization that has already started CSR orientation, and assumes that the understanding of the need for CSR has occurred, although the company is facing challenges in the implementation process. This model is meant to address the barriers and challenges of implementation including:

- How to balance top-down and bottom-up policy making.
- How to gain support of important players.
- How to deal with and analyze the multiple demands and pressures of stakeholders.
- How to get management involved.
- How to increase stakeholder involvement and techniques dealing with multiple pressures from different stakeholders.
- What tools to use in order to improve communication.
- How to establish an effective culture that fits structure and overcome the hardship in integration of new values.
- How to increase a sense of urgency.
- How to encourage awareness, participation and support for the goals of the project.

5.2.2 Lewin's change management model

Lewis's change model analyzes change in three stages: Unfreezing, moving and refreezing again (Lewin, 1947). The stages in Lewin's model are common to many change management models:

- Unfreezing: Breaking the pattern associated with the existing status quo in the organization, challenging the basic assumptions and unlearning

the culture and the behavior it dictates. This is one of the most challenging stages, calling into doubt how things are done so far (Raineri, 2011).

- Moving: The organization moves away from the status quo and the old behavior towards the desired culture, embracing a new set of assumptions and culture.
- Refreezing: After the change has occurred and the desired culture established, the management role is to insure this change is permanent and continues as an integral part of the organizational culture.

The division provided by Lewins' model is used very often in change management models. It allows recognition of each step and its placement in the timeline of the process.

5.2.3 Mento's change management model

Mento's model builds on three important change management models: Kotter's strategic model for transformation in organization (Kotter, 1995), General Electric's model of acceleration of change (Garvin, 2000) and Jick's tactical model of change (Jick, 1991). The combination of those three creates a detailed and holistic approach to change management, drawing a roadmap for achieving overall new strategy implementation (Mento et al., 2009). Mento's model also provides examples and methods of implementation tactics.

5.2.4 Maon's CSR change management model

The third model used is from Maon, a framework specifically designed to handle change management implementation of corporate social responsibility in a company (Maon et al., 2009). This model emphasizes the specifics required for a CSR process such as: stakeholders' mapping, translating principles of CSR into business practices and integration of sustainability policy into strategy.

The synthesized model is structured so that the Lewin's model provides a general framework and timeline division for the process. The models of Mento and Maon are used to complement each other in the analysis in steps forward. While Maon provides the CSR angle, reasoning and justifications for the necessity of the stages, Mento's model provides the details of the implementation process.

The full model with all the stages framework and academic background is available in Appendix 2.

5.3 Change management model

The synthesized model is shown in Table 2.

Table 2: Change management model

Unfreezing (Lewin, 1947)		
Phase	Action content	Obstacles/benefits
Assessment of the current situation in the company	Assessment of attitudes towards CSR within the organization, and its current social environmental standing	Setting exact starting point helps developing accurate planning
Identify key stakeholders and their crucial issues and interests	Perform stakeholders mapping process and identify pressures for change	Allows getting a clear picture and understanding regarding dynamics and expectations of key stakeholders to create a more appropriate fit of the plan
Evaluation of climate for change	Benchmarking leading practices and norms in the field, establishment of cooperation and learning from outside	Reduces the blurriness around the concept, provides practical examples and fosters the process of designing an action plan
Development of change plan	Establish a vision and operational definitions of CSR, define measurements and indicators for progress	Reduces uncertainty, confusion and misunderstanding of the process, clarifies its meaning and effect on bank activity
CSR integration strategic plan	Translate values, visions and policy statements into action	Insures integration of CSR principles in business core
Sponsorship	Win over commitment and support from key players	Helps to reduce resistance to change, overcomes low level of awareness and lack of information and interest
Prepare recipients for the change	Raise awareness within the bank, both of the management and employees regarding the upcoming change.	Increases levels of knowledge and understanding, helps reduce stress
Creating culture fit	Communication of the change Analyze the function, processes, values, weaknesses and strengths of the organization, in order to predict the effect of the change and insure fit between plan and actions	Helps facilitate smoother transition process
Choose and develop change leading team	Establish clear role and authority division of the organization into: strategists, implementers and recipients of change	Easy the process of information flow, clarify responsibilities over actions and accountability

Moving		
Phase	Action content	Obstacles/benefits
Implementation of CSR integrated strategic plan	Create training program and engagement of all the employees in the process	Increases understanding of CSR issues, reduce resistance and increase cooperation
Small wins for motivation	Set small wins and milestones along the process of implementation	Small wins allow efficient measurement of progress and increase motivation
'Communicate, involve and be honest'	Establishment of bilateral communication system regarding the change progress	Receiving feedback helps identify the strengths and the weaknesses of the process and generate quick respond to problems
Measurement of progress	Set and enable efficient measurement mechanism	Measurements insure sticking to the plan, clarifying accountability, helping to compare goals and actions
Refreezing		
Phase	Action content	Obstacles/benefits
Integrate lesson learned though reflection	Reflection on what been done so far, evaluation of what worked and what not, to adjust the next steps	Identify which practices shall be maintained, what stopped or changed. Allows revisiting original goals
Communication to outside	Inform the stakeholders and external environment about the process	Motivate the employees and reinforce the process by support from outside, increase commitment for change
Institutionalization of CSR	Maintain the change, ensuring it becomes essential part of organization culture and decision making process	Prevent regression of the achieved

6 Case study: Landsbankinn

In this chapter I introduce the Landsbankinn strategy of implementing CSR and related activities, followed by information about achievements and the difficulties along the way. In addition this chapter presents the views of some employees on the process, collected through interviews.

6.1 Introduction of CSR (2010-2011)

The CSR policy of Landsbankinn was accepted and authorized by the bank Chief Executive Officer (CEO), board of directors and management committee in 2011. It was agreed to implement CSR policy throughout the whole organization, in all departments. The implementation process was to be completed no later than end of 2015. By implementation the bank means that all departments should understand the CSR concepts and what it means in the financial sector and CSR issues should be considered in decision making processes. The CEO and management provide general support to the CSR initiative. However, there are different views on how the support should be provided and how the strategy shall be carried out (Sveinsson, personal communications).

Working with sustainability is a fairly new concept in Iceland, in comparison with other OECD countries (Macdonald, 2009) especially in comparison with other Nordic countries. This is especially true regarding CSR and the financial sphere. Hence, there is no consensus yet regarding the practical meaning of it within the bank. The role of the CSR change agents in the bank is to generate operational definitions for CSR in cooperation and dialogue with the involved stakeholders. The bank declared itself as willing to take part in creating the future well-being of the Icelandic society (Landsbankinn, n.d). After a group exercise in my master's studies on CSR in the bank, I was interested in finding out more and the bank responded positively to my request.

6.2 Research and gathering information methodology

For the case study, information was gathered in different ways:

- Learning about the activities of the bank through monthly interviews with the CSR specialist. Receiving updates regarding development of the process along the years 2011-2012.
- Collecting data from the bank website, policy papers and statements made by the bank. Some of the documents were public, and some were presented by the CSR specialist and remained confidential.
- Performing five interviews with four employees in summer 2012. Interviews were conducted with two employees who were directly involved in the CSR implementation process and two employees who had no direct connection to the CSR process. The CSR specialist was informed of and approved all the interviewees. During the year prior to the interviews I had access to information about the actions made by the strategy initiators in the bank. Those interviews were designed to understand better the perspective of the steering group members and other employees.

All the interviews took place in the headquarters in Reykjavik and included questions that aimed at revealing views, opinions, awareness, knowledge and understanding of the process. The general outline of the questions was:

- When and how did you first learn about the process of CSR in Landsbankinn?
- How do you see the relevance of CSR for the bank? Is it important for the bank activity? How? Why?
- How are the principles and practices of CSR relevant for your position in the bank?
- Do you think the bank can benefit from the CSR process? How?
- How do you get informed about the progress and development of the process? Do you think the information you receive is sufficient for you to understand the process?
- Are people in your department aware of the process? Do you think they support this initiative?

For the members of the steering groups I added few more questions regarding the work of the group, such as:

- How did you get involved in the process? Why?

- How are you informed regarding the issues of CSR? What are the channels of communication?
- Do you feel you receive support from the management and your co-workers with regard to your work?
- Do you think you get all the information needed for your work?
- What in your opinion are the challenges to overcome on the way to implementation of CSR in Landsbankinn?

Performing all the steps above helped me to form a more detailed picture on the state of the CSR process within the bank, but within the limits of time and accessibility.

6.3 Development of the process so far (2012)

The new CEO of the bank, appointed after the crash of 2008, decided on integration of the policy throughout the whole organization working towards cultural change in the bank. The aim behind this decision was the desire to change culture and procedures which led to the crash, improve public image, recover from the crisis and set a new way of doing business.

In order to implement the CSR strategy, Landsbankinn identified five key areas: consumer issues, human resources, relation with suppliers and sale of assets, community involvement and environmental issues. The integration of CSR into the five key areas is done according to the ISO 26000 guidelines for social responsibly and the principles of the UN's global compact. The CSR expert reports to the CEO, his role is to design, generate, inspire and motivate the policy, but not empowered to issue resolutions (strategists vs. implementers). Management committee is the one to decide on allocation of resources and structure of implementation.

A policy statement was issued to clarify the overall strategy steps to be taken (Landsbankinn, n.d). Goals and aims were stated as:

- Landsbankinn is to become a role model for other Icelandic companies.
- Understanding the environmental impact of the bank's activity, improving the environmental performances of the bank's activity and incorporating principles of environmental responsibility into daily operation.
- Increasing employee awareness about CSR and changing attitudes regarding environmental matters in their daily life.
- Influencing change within the community towards a more sustainable life style by being proactive.

- Investigation of risk management by the bank, including reputation risk and investment policies.

At the beginning of the process, the structure consisted of a steering group of ten volunteers, which met and decided on general directions and projects for CSR then acted as 'ambassadors' for implementation in their own departments. This plan was based on projects, where resources are allocated according to a project based program. The management committee met once a month and examines the proposed projects. Once a project was authorized, the resources and support were provided. However, after a while it seemed that this way was not efficient enough in implementing overall new strategy. The involvement of employees was very low and the process did not contribute to holistic change. A new approach was adopted, in order to promote a broader perspective of implementation and to involve middle level management.

The new structure was organized by the CSR expert. Today the process involves a professional project manager and six steering groups: Consumer issues and fair operation practices, Principles for Responsible Investment (PRI), Global Reporting Initiative (GRI), relationship with suppliers (including procurement), community involvement, and environmental issues. The members of the steering groups are from different departments of the bank and the CSR expert involved in each group. The members get appropriate training in form of lectures, workshops and reading material, with emphasis on the topic they are handling. The steering groups' tasks are to define the bank's risks and opportunities in relation to CSR, prioritize projects within each area and be accountable for their implementation. In order to do so the groups need to be aware of and understand relevant standards and tools and how they are applicable for the bank. Currently the steering groups are analyzing the standards and tools before identifying and prioritizing future projects, which will result in an action plan. The committees are supposed to hand in their conclusions until the end of 2012 and if authorization by the management, implementation will take place.

After the action plan has been finalized and authorized, the members of the steering form working groups within the divisions they are responsible for, and will work together with the rest of the employees to execute the action plan. The planning emphasizes the future involvement of more employees in the execution process, getting people involved though projects and practical activities.

In order to expand the information and awareness of all the employees regarding the project, the CSR specialist visits divisions and branches, lecturing on CSR, its meaning and implication for the bank. Another channel is informing

the employees via emails and intranet of the bank, giving updates on events and news regarding CSR. Also the members of the steering groups should on a regular basis inform their colleagues regarding the activities and the progress of work.

6.4 Projects already launched by summer 2012

Despite the fact that the work of steering groups is yet to be finished, Landsbankinn has already launched several projects in order to improve its environmental standing and introduce change towards CSR among its stakeholders.

- Transportation: encourage employees to use more environmentally friendly transport. A 'commuting contract' has been developed that provides employees with incentives to commute to work using eco-friendly transport modes, like bicycles or public transportation. So far around 300 employees have signed into the agreement.
- Decreasing in-house paper usage.
- Swan labeling of the headquarter's canteen.
- Awarding community and environmental grants.
- Supporting innovation and startups – giving grants and loans with low interest to innovation projects.
- Signing and committing to principles of gender equality in the bank, according to the principles of Equality Charter UN Women⁴.
- Gender equality policy and action plan.
- Publishing a new supplier policy with elements of environmental responsibility – which from closer examination is more of a declaration of intent than a strong commitment. This policy however does include ideas on how it should be interpreted, and indication of a potential to become more influential (Appendix 1).

6.5 Analysis of the process and experiences of employees

A major part of my case-study research was to follow the development of the process and look into the different elements in order to get a picture regarding the process, its strength and successes along with difficulties and obstacles which need to be overcome to achieve the goals the bank set for itself. As described above, my findings are based on the interviews with employees,

⁴ United Nations initiative to ensure gender equality and avoid discrimination

analyzing policy papers received from the bank and following the banks' website where CSR actions were announced.

Achievements of the process so far:

- The bank has managed to partly improve its environmental standing, mainly in the headquarters and concerning environmentally friendly operational processes such as waste segregation, increase use of environmentally certified materials and reduction of plastic use in the company.
- Increased awareness of the employees regarding their environmental impact and initiation of a process of higher consciousness of how the impact can be reduced through alternative ways of transport and more environmentally aware daily behavior.
- All the employees interviewed expressed awareness of the CSR process and view this as a positive development, even if they did not fully understand the meaning or the aim of it. They were happy that the bank is acting towards more responsible operation.
- Employees who are directly involved in the process report on growth of understanding of the role of the bank, interest and sense of importance, due to the information and training they received. They understand that the bank has to change in order to become a role model and need to apply the same principles which it will demand from its consumers (regarding principles of responsible investments and elements of CSR).

6.6 Difficulties and obstacles

Despite some of the progress made there are still difficulties and obstacles to be overcome.

Lack of knowledge and understanding of key concepts regarding CSR. This is probably the most severe obstacle to overcome in order to reach implementation of the strategy. Almost in all the interviews there been expressed lack of knowledge and understanding of the process and the meaning of CSR to the bank. The employees have a very basic understanding about the process of CSR and the concept generally, especially in relation to the financial sector:

'I really don't know the scope of this, I don't know the possibilities we can do with this'.

'The information provided so far is very limited and based on voluntary access. I think there is a need to show more to the employees what this is about, what the bank is aiming at and what people at the bank will be getting at.'

All the interviewees answered that in their estimation not everyone in the bank is aware of CSR and would not know how to answer on what it means. According to the annual survey, there are differences according to location of the offices.

Gaining such knowledge is essential to cooperation and understanding the importance of the policy and will help to overcome many of the other obstacles mentioned above.

Strong emphasis on external activities, CSR as PR tool rather than whole system change. From the data collected in the research there is evidence that the direction the CSR process is mainly external, focusing on activities of high visibility and reputational character. The issues and actions taken care of so far seem to be driven by a desire for reputational improvement and marketing tools. This perception of the process is communicated both outside to the public, trying to draw attention of the public to the activities done by the bank in the sphere, and inside to the employees, portraying that CSR can be a tool used for marketing and reducing reputational hazard. Almost all the interviewees mentioned activities with high reputational visibility rather than internal procedures as a way of implementing CSR. From the interviews there is strong concern regarding the reputational of the bank as one of the leading priorities.

Low hanging fruits. There is a focus on 'low hanging fruits' and a still limited understanding of *corporate* social responsibility. The information given so far to the employees regarding CSR, indicates a limited scope of implementation, by focusing on easily achieved goals, rather than the deeper change process which requires more significant transformations. Although these activities might be part of gradual approach, some employees perceive the process as something marginal to the bank activity. This takes the process back to viewing CSR as a marketing activity rather than an overall change in bank strategy. Some of them said that implementation of CSR within the bank will not require major efforts nor high scope changes. Such statements indicate a low understanding of entire scope of CSR. The result of that is that employees might not feel related to the process, and show lower interest in CSR.

'I don't see this CSR matter as something concerning my everyday work'.

Lack of time. The employees that are involved in the project are doing so along with their everyday job duties, which make it hard to fulfill both tasks on a high level. In addition, three years of implementation seems an ambitious goal.

Low sense of urgency and importance. The implementation process requires dramatic steps and large efforts from all the organizational structure, however, the interviewed employees did not see CSR as a high priority, and did not believe that the management sees this either. There is also significant asymmetry regarding importance the employees give to CSR in the banks' activity. The more information and involvement in the process they obtain, the higher rank the importance of the subject may be expected.

Low visibility of the process in the bank. Some of the employees that have been interviewed were only vaguely aware of the process happening, seeing it as a side activity and external process, which is not relevant for their job and position. It appears from the interviews that beside the people directly involved in steering committees, the awareness regarding their work or even existence occurs is quite low, as well as for the timeline of the process, which supposed to be implemented by end of 2015.

Low visibility of PRI. As explained in the literature review, one of the most significant product of CSR in the banking sector is principles of responsible investments and loans. Landsbankinn became a signatory UNEP FI at 1992 and later declared on commitment to integrate PRI into overall lending and investment policies. This would be the expression of full integration of CSR into company's policy. However, from the interview data, there is low awareness to the concept of PRI and a connection to CSR among professional who work within loans, risk and investment departments. In the aftermath of the crisis new policy has been implemented regarding principles of loans and investments, however, this was mainly focused on financial parameters and limitations of bankers' discretion, and very little space been given to non-financial principles of UNEP FI and PRI.

'We did change the process on loans approval structure after the crisis: lower limits to the banks, more use of opinions of risk department, but that not something I associate with what our CSR specialist is been doing . The structure of loans and investments looking into two things, what guarantees you get and does the costumer can

pay us back. Any other parameters can complement the decision but first and foremost is the company can pay us back'

Lack of leaders' commitment and support. The steering group authorized to review CSR matters gets somewhat limited support from management level which is yet to verify their work. The new CEO of the bank, who came after the banking crisis, supports the process and is one of the initiators of the CSR, the upper and middle management of the bank is less supportive. One of the interviewees pointed out that the PRI steering group was struggling with convincing the board of executives in the necessity of PRI because there are no figures or significant proof that this is a beneficial process for the bank. This indicates again a lack of knowledge within the structure, both by the executive board and the PRI group members, since such information, figures and proofs exist in academy and business literature.

No clear indicators and measurements of the process. There are still no clear indicators and milestones set for following progress of the process. The only milestone I encountered in the research is a wish to win the environmental award from the Ministry of environment in 2014. Setting this goal in the center might also cause a fall in morale and support to the process if this does not happen.

Summary: According to the activities and information communicated so far, the bank's main emphasis is on external activities, leaving the CSR principles out of the business strategy. This results in lack of understanding from the employees on the meaning of CSR to their job as bankers, and overall low comprehension of the bank's role in society and the potential scope of influence as a main economic and social actor. One of the interviewees portrayed the current situation very clearly:

'Setting standards for company activities is not the bank's job, it's the state's job to regulate it, and I don't think that there are many companies that we need to worry of them causing some risk.'

However, the leading financial institutions which incorporate CSR principles into their decision making set the standards above the requirements of the law and regulation (Weber et al., 2005). Fully relying on regulation to set standards for financial operation sends the message to the stakeholders that 'everything which is not forbidden is allowed'. This stands in contradiction to the goal statement of the bank regarding CSR, where the desire to influence to improve social, economic and environmental reality in society, and position itself as

leader of change is very significant. However, evidence like the quote above and below demonstrate limited grasp on the scope of CSR:

'The higher levels in the bank are afraid to lose some current and future investment opportunities. Putting strict benchmarks could lead to fewer companies being able to follow the rules and they might not be in business with the bank anymore'.

It is impossible to achieve real influence and change in society without committing to change within. Management support and proactivity is essential for successful implementation. According to the findings in the research, mainly from the interviews, employees expressed a desire for change and making the bank a happier place to work in and hoped something will change so they can be proud, again, of the bank they work in. In addition, motivation to establish CSR came from the employees themselves after the financial crisis, there was sense the 'something must be done' and CSR was part of that. However, the impression from the interviews is that employees at different levels didn't fully understand the meaning of CSR. The benefit that can be derived from the process in order to answer the needs that led to its establishment so far is very limited.

If Landsbankinn is interested in CSR as a principle of work and doing business, rather than a marketing tactic, the process should overcome the obstacle of insufficient and uneven levels of knowledge and information, presenting CSR to the employees in a new ways, gaining trust and support of management levels, enabling deeper understanding of the potential and the role employees may play in the change. The CSR specialist of the bank states his vision of CSR in the bank in the following manner:

'Am I different as a person and as an employee? Will I be pleased to work in a company that works against my personal values? No. We need to take those issues based on our personal values and make it part of the culture of the company. We may not go back to the time where everything was accepted as long as it was in accordance with laws and regulations. It's quite serious if you take all morals out of the equation. CSR is about taking sides and thinking, do we want to live in a society like this? We need to realize that running a bank has environmental and social risk involved. If we start looking into social and environmental issues as reputational and financial risks, than, it's our business'.

In the next chapter I will analyze the process in Landsbankinn through application of the change management model. I will review each phase in the process, comparing theory with reality in Landsbankinn, identifying the gaps and suggesting ways to cross them in order to overcome the difficulties

described above. I will use all three sources of information (CSR specialist, written material and interviews) to develop the arguments.

7 Application of the Change management model to Landsbankinn's CSR policy

In this section I apply the data gathered from researching the progress in Landsbankinn into the change management model to evaluate the process. The change management model is divided into 16 phases, starting from preparing the organization for change, executing and sustaining the new achieved change. Each phase contains the description of the step and its theoretical background, description of the actions made in reference to this step in Landsbankinn, the actions that should be made to fill the gap between the theory and reality and what obstacles those actions will help the bank overcome.

As mentioned earlier the base of the synthesized model lies in Lewis's model of change, and the three stages are the fundamental to the whole model. Within each of the three stages there are phases, taken from Mento and Maon models (See model above, Table 2).

7.1 Unfreeze

Phase 1: Assessment of the current situation in the company: What is working and what is not, what should be changed (Mento et al., 2002). Assess the current situation and attitude towards CSR within of the bank, the social and environmental impact of the bank's activity, corporate governance, commitment to sustainability and societal dialogue process (Maon et al., 2009).

Landsbankinn: This process is currently in the work by the steering groups and no information regarding the results is yet available.

Actions:

- Examine official organizational parts of the bank: states concerning CSR issues, codes of conduct, documents and interview with key position holders.
- Take an in-depth approach by establishing a dialogue with the different stakeholders, encourage interaction that can reveal a more trustworthy picture regarding the situation, increase trust and commitment in the process and promote cooperation.

Obstacles/benefits: Helps to set an accurate picture regarding the situation of the bank in order to have a clear base and starting point for designing and planning of the change.

Phase 2: Identify key stakeholders and their crucial issues and interests: There are many stakeholders with diverse interests, values, objectives, expectations and demands which must be taken into account when planning change (Maon et al., 2009). This step is important early in the process in order gain clear perception on the expectations of all the parties involved from the process, use them to set the CSR agenda and design the change.

Landsbankinn: A stakeholder mapping process hasn't been performed, although the need for such a map was expressed by the CSR specialist. Creating stakeholders mapping and drawing out the expectations of the process would point relevance of actions in the process and increase efficiency.

Actions:

- Establish a process of stakeholders mapping, identification and analysis of stakeholders, their power, influence and importance and later prioritizations of those.
- Identification of the pressures for change, bases of resistance, the stakeholders and events behind the pressures and their importance and relevant to business strategy (Weber, 2005).

Obstacles/benefits: Clear assessment of the roles and groups allows establishing a clearer process and more accurate understanding of the dynamics between all the organization parts. Help gaining cooperation, address pressures and generate more harmonized process.

Phase 3: Evaluation of the climate for change: A process of benchmarking the leading practices, CSR norms, values and standards in the sector, that need to be incorporated into the organizational culture. Since CSR is not a new concept, there is no need to invent start from scratch. There is advantage in benchmarking others, both competitors and the banking sector (Maon et al., 2009). Creating dialogue with stakeholders such as regulation, clients and academy might uncover additional drivers for change.

Landsbankinn: According to the data, networking and learning from peers in the financial sector is limited so far to people directly involved in the process. However, this creates a gap and misunderstanding of CSR among the other employees, and reduces willingness to accept the change. Some of the findings indicated very low awareness among Landsbankinn employees about the concept and knowledge regarding CSR in banking sector around the world: *'This thinking is something new, not only in Iceland but also in the world.....', 'I don't know what the other banks are doing, never heard about other banks' actions in the sphere, both in Iceland and abroad'*. Viewing peers' actions and comparing them with Landsbankinn, along with communication of those to the employees might help to portray to the employees that this is 'how business is done in the financial world today' and in order to stay in the game, new values and practices must be integrated.

Actions:

- Identify the best performers of CSR in the financial sector, evaluate the best practices among the competitors and peers (especially in the Nordic countries), compare them and choose those which best suit the bank.
- Learn about the acceptable norms and standards in the operating environment, compare to the situation in the company, identify the gap and adjust the plan to fill it.
- Networking allows creating closer dialogue with stakeholders such as policy makers, investors, competitors, and academy. Such a dialogue will reveal the climate for change and identify the pressures.

Obstacles/benefits: Learning through benchmarking and networking helps to understand what is needed, reduce the blurriness around the concept and foster the process of planning and coming up with possible actions.

Phase 4: Development of change plan: Establish a vision and working definitions of CSR. The bank must define what CSR means for its operation. This definition must 1) promote social responsible vision, 2) include stakeholders' expectations, and 3) be compatible with banks' long term strategic goals (Maon et al., 2009). After an operational definition has been set, the next step is setting specific goals, dividing responsibilities, content and process. The key for successful planning is keeping a balance between specifics and flexibilities. The emphasis shall be on engaging the participants in the process, which will increase effectiveness, much more than short term pressures and top down enforcement (Mento et al., 2002). The plan must include measurement to assess the progress.

Landsbankinn: The vision of CSR in Landsbankinn has been announced and described in the findings chapter. The vision does include promoting of social responsibility. However it lacks addressing stakeholder's expectations and long term strategic goals. The lack of stakeholders' expectations can be explained by the fact that there was no mapping process done. The role of creating a working definition and working plan is currently given to the steering group. The work is still in progress and expected to be done by the end of 2012.

Actions:

- Operational definition is essential for establishing an agreed direction and measure of the progress reveals motivation for the commitment among the stakeholders. Establish certainty why to do this and for whom.
- Creating a Frame Of Reference (FOR) for each player according to the operative definition. Giving each of the players (key position holders, departments, influential people) a role will help to engage them in the process. In addition, it can be shown whether they identify with the vision and willing to put effort to work towards it.
- Create a measuring scheme to monitor the progress. The measurement must be focused on a result driven approach, measuring only parameters relevant to the program. The measurement must include short term milestones along with long term goals.
- Make sure that indicators for measurement of change are compatible with the overall vision and goals.

Obstacles/benefits: Clear and solid definition helps dealing with resistance to change. Formulating, declaring and communicating operational definition of the change will reduce uncertainty, confusion and misunderstanding of the process, clarify its meaning and effect on banks' activity. The indicators for measurement will help keeping track of the process and insure sticking to the plan.

Phase 5: CSR integration strategic plan: After establishing the vision and recognizing the operational definition for CSR, there is a need to develop a CSR integration strategic plan. Many organizations want to implement CSR but don't know how to incorporate the 3P (people, planet, profit) into strategy and action, translate the values, visions and policy statements into actual action. This step means to insure that CSR strategy will not remain an external process to overall business strategy, but will be integrate in overall activities of the bank. This step demands analyzing all the activities, strategies and procedures in the organization and comparison to operational definition of CSR, to make sure they match, and work out a plan for filling up gaps, whenever occur.

Landsbankinn: Currently this mission is in the hands of the steering groups and the results of their work are unknown so far. However, if examining the activities which have already been done, the compatibility of some of those actions with the vision declared is questionable. The actions which have been taken so far are mostly focused on high visibility actions, falling back into the traditional corporate philanthropy rather than initiating deep change within the perception of corporate role in the society. If this approach will not be changed, than it might fall under classification of Landsbankinn activities as tactical change rather than action out of principle (Macdonald, 2012).

Actions:

- After creation of the vision for CSR in Landsbankinn, there is a need to ensure that the suggested actions are compatible with the vision trying to achieve and contribute to the desirable result.
- Finding ways and insuring that the suggested actions address both the ideological vision of the company and profitability.
- Identifying the differentiation of products and services of the bank as result of CSR process, in order to insure the competitive advantage (Hoffman, 2000).

Obstacles/benefits: Help to ensure integration of CSR principles into overall activity of the bank and not being just external to the core business or implemented as PR actions.

Phase 6: Sponsorship: Anchoring support among the powerful actors is a key success factor. There is a need to win over the commitment of key players in order to convince them to become change leaders and supporters. One of the best practices is to approach the employees on different levels both to gather information and assimilate trends of change. Employees are the face of organization and obtaining a lot of power. They are ambassadors, advocates, sources of ideas, information and in some cases also source of problems. Empowerment of middle management, identification and enabling their cooperation and support is crucial for the process. Implementation of change could occur top down but the content of change must be developed bottom-up, this is why the sponsors' role is so important.

Winning support can be done by:

- Emphasizing the necessity in change and the costs in rejecting the change.
- Setting clear goals and exit points in case things don't work out.
- Giving possibility of influence to the sponsor.
- Keep the sponsor on high informed level.

Landsbankinn: The steering groups created to develop action plans contain employees from different levels and positions in the bank, which fits the description of this stage, is yet to be developed. Further extension of engagement of employees in the process is expected when the planning will turn to execution process. However, informing the employees and communicating with the broader scope of employees might appear helpful to achieving better understanding of the process within the bank, both from the planning team and the recipient. This could help to avoid situation when employees look at the actions which already been made and think that this is what CSR is all about. The current view is that this have very little to do with their actual job, as we witness in many of the interviews.

Actions:

- Identify whose commitment is crucial for the process, who can influence them and gain their support, recruitment of influential players to be change leaders.
- Creating firm monitoring system to assess progress of change within the organization.

Obstacles/benefits: resistance to change, low level of awareness, lack of information and interest. Help to overcome the situation where many employees feel the change has nothing to do with them or their job.

Phase 7: Prepare recipients for the change: Change will not be possible unless the people are willing to accept it. The actual implementation occurs only when employees accept the concept of the change and its specifics in their everyday routine. To achieve this, there is a need in raising awareness within the bank, both of management and employees. The development of such awareness, often triggered by changes, occurs in the business environment which influences a management perspective towards CSR, such as economic and stakeholder pressure.

Landsbankinn: There is a clear inequality in information among the employees in the bank, which in turns causes lower level of support of CSR process. Some interviewees expressed concern that adopting principles of responsible investments and loans will lead to loss of clients and profit, referring to the issue as an ethical questions 'is the bank allowed to choose its consumers'. This situation creates uncertainty within the groups that work on the matter, since it's not clear whether the job they are doing will be even authorized by the management team of the bank, which can lead to lower motivation. In order to address this issue, there is a need to set same level of information and understanding of the key concepts among all the employees, especially decision makers. This way it will be possible to insure that one group will rationally value the actions of the other. When the employees and management team will be informed about the main aspects of CSR as opportunity to set an example to the entire industry, contribute to the goal Landsbankinn set to itself to become agent of change in Icelandic society and provide economic and social benefit in the long run, the support and importance to the issue will raise.

Actions:

- Communicate to the entire organization that this is not something external or experimental, this is becoming 'the way things are done'.
- The change should be communicated to all the stakeholders as clearly as possible, in order to reduce the unknown using: credos, corporate charters, mission statements, reports, websites and more. Managers need to invest in programs to educate the employees about CSR to ensure smoother execution and cooperation from all parts of the organization.
- Establishing firm channels of communication regarding the change will allow the employees to be informed, involved and know that their opinion on the process matter. Feeling of involvement and ability to influence will lead to greater cooperation from the employees and more efficient designing of CSR process by the steering groups, since there will be adjusted to the expectations and needs of the employees.

- Insure support and commitment of leaders within the organization. Such support is crucial for the success of the process, since it can compensate for lack of certain competences and sustain the process throughout problems along the road (Weber, 2005).
- Trainings and information regarding the connection between corporate values and performances are vital to encourage employees to open up to change (Van Lee et al., 2008).

Obstacles/benefits: Every change, positive or negative will raise resistance because it contains the unknown and adds stress to the system. Dialogue opens communication channels, increases levels of knowledge and help reduces stress. When this stage done in the right way, it will help to emphasize the advantages of the process, create sense of importance for the project and raise cooperation. Mutual dialogue will allow involvement and influence of all the actors involved in designing the change (Lewis, Schmisser, Stephens, & Weir, 2006).

Phase 8: Creating culture fit: Analyzing the function, processes, weaknesses and strengths of the bank, in order to be able to predict the effect of the change (Mento et al., 2002). This analyzing requires uncovering corporate norms and values in order to find out which values should be reinforced and which should be changed. A long lasting change requires connection between the core values and business practices of the organization (Van Lee et al., 2008). Achieving clear picture regarding the values of the company helps designing a change that will last. The change must become essential part of culture and 'how things are done' in order to last, not being a separated or additional part. Failure to achieve anchor the change in long term strategy will bring to failure of the entire process. There must be match between the new strategy and existing culture, it's essential for the bank to match the CSR and the core values of the organization so it becomes natural component of the culture.

Landsbankinn: The role of looking into corporate values given to the steering groups, and still at work and there was no information regarding this step available so far.

Actions:

- ❖ Look at previous change processes, patterns of success and failures.
- ❖ Perform value mapping process to identify which values should be reinforced and which should be changed.

Obstacles/benefits: awareness of the corporate values helps more clearly identify the strength and the weaknesses, and help facilitate smother transition process. This process also has the potential to invert the process from focus on external actions into bringing shifting the change into the company's culture.

Phase 9: Choose and develop change leading team: The role of leaders is to inspire, create vision and facilitate the process. Top management is the one to determine the direction of movement, while the middle management is the one to put it into action: making sure resources are allocated according to the set plan, monitor performances, behavior and communication of the strategy through the organization. The organization should be divided into:

- ❖ *Strategists* – initiating the need in change and designing the strategy.
- ❖ *Change implementers* – the actors who responsible for enforcing the change and enabling the strategy in reality.
- ❖ *Change recipients* – the employees that must adapt to the change, in order to achieve that, they must be convinced that it's going to benefit them (Mento et al., 2002).

Landsbankinn: The change team in Landsbakinn consists out of:

- ❖ *Strategists* – The CSR specialist who leading the progress and the CEO of the bank who appointed him and support the process. However the management and executive teams are not included in the process, in some cases they are yet to be convinced to authorize the entire change.
- ❖ *Change implementers* – the steering groups.
- ❖ *Change recipients* – the employees of the bank.

As the division of actors within the bank is matching the model and seems to be efficient, there is a need to include more of the decision makers into the strategists group, since their influence and support is vital for the entire process.

Actions:

- ❖ Putting CSR responsibilities into job descriptions and performances evaluations, increasing the attraction of being part of the change team as a career opportunity.
- ❖ Recruit knowledgeable about CSR employees.
- ❖ Develop communication channels to share knowledge.

Obstacles/benefits: This step helps clarify authority division and the roles of each actor in the process. Will ease the process of information flow, responsibilities over actions and accountability. The change leaders better to be group rather than individual: diversity of skills and perspectives, sharing vision with other members increasing commitment, motivation and competence for action.

7.2 Moving

Phase 10: Implementation of CSR integrated strategic plan: Creating training program and engagement of all the employees in the process. Such training program should cover aspects such as: worldwide CSR issues, policies, programs, goals, performances, and the relevance of CSR to business operations such as: suppliers, transportation, waste, emissions, product design and so on. The program needs to demonstrate to the employees how CSR is relevant to their daily work and can help the company to achieve its goals (Maon et al., 2009). The training should consist of different settings of learning: beside formal structured lectures there is a need to find different channels of education and information to the employees to increase comprehensiveness of the issues. Using multiple methods of learning increases the levels of understanding, relation to the topics, reinforcing the learned issues and in fact is a valuable practice in adult education (Maier, 2011).

Landsbankinn: Since the implementation process is in its early stages in the bank, there is no information regarding the training methods. However, from interviews with the employees who did receive training in the area, they claimed a need for more information and education in less formal settings than lectures. The interviewees expressed a desire to have more discussion and education that includes more practical elements in order to see how the learn about issues implemented in reality. According to the CSR specialist, when the implementation stage will begin, the model will include a high level of employee engagement in application of the policy into operations within the bank, as a way involve employees in learning about the principles of CSR.

Actions:

- Use of several methods of employees' engagement in the process: Involvement of employees in discussions, decision making and implementation process, involve employees in networking to demonstrate how CSR is successfully implemented among leaders in the sphere.
- Act towards creating ownership of CSR activities among employees in all levels, deliberate responsibilities.
- Focus on awareness and ensure employees understand why this process is done and important, the context of action, motivations, relevance, objectives and implications.
- Providing incentives, rewarding employees for good performances or extra initiative.

Obstacles/benefits: Creating employee training increases understanding of CSR issues, reduce resistance and increase cooperation by improve awareness of importance and advantages.

Phase 11: Small wins for motivation: The longer the change process lasts the more achievable goals along the way become important. Small victories and their celebration re-energize to the process, provide open communication lines, increase sponsors support and reinforce reporting. Too long term vision might be frustrating and contribute to resistance. Setting the small wins will make it easier for the team leading change and encourage them by receiving positive feedback (Mento et al., 2002).

Landsbankinn: This matter as well is still in the planning stage by the steering groups and should be kept in mind throughout this process. By examining the actions taken so far, we can refer to them as small wins and milestones to kick off the process, since despite their low significance to achieve the overall stated goals, they do create a positive feeling and support of the concept within the bank. Employees reported proudly about the waste segregation actions and transport agreement, however, none of the interviewees was actually using the alternative transport ways suggested by the initiative.

- **Actions:**
- Include in the planning process short term goals and milestones to motivate employees during the process.
- Insure correspondence between the principles and the values of the overall long term vision and the small wins.

Obstacles/benefits: Increase support and motivation for the process, provide proof of progress and reduce resistance.

Phase 12: 'Communicate, involve and be honest': Communication is the key and can determine success or failure of the process. Communication about CSR should be both internal and external. Well established communication allows clear identification of stakeholders and their expectations, enabling open and ongoing dialogue. The communication at this stage will be both to the employees and from them, by reporting with regard to the change progress and informing recipients about issues coming up next, along with establishing communication from recipients, implementers will receive feedback of their views and attitudes to the process.

Landsbankinn: The process of implementation has not yet begun, and channels of communication are mainly used by steering groups' members.

Actions:

- Use as many communication channels as possible, for instance: newsletters, reports, meetings, social networks, trainings, internal and external websites, activities engaging the employees in action, creating a blog to follow the process.
- Establishing feedback system from the perspective of implementers and strategists, in order to adjust the process according to the needs of reality.

Obstacles/benefits: Increase understanding, reduce confusion, inform and involve employees about the change. Receiving feedback will assist identifying the strength and the weaknesses of the process and quick response to problems that arise along the process.

Phase 13: Measure progress: Measurement is essential to get an indication about how the process is going, keeping the program on track and being able to spot any problems as soon as they occur. Audit mechanisms provide thresholds to compare performances to expectations. The effectiveness grows even more when an external audit body is involved. Stakeholders should be encouraged and invited to verify CSR performances.

Landsbankinn: As mentioned earlier the bank still hasn't progressed into the stages of implementation and measurements. No specific goals and measurements have been set so far, except winning environmental award for year 2014.

Actions:

- The measurement process needs to be done along the whole program, not only in the end.
- Preparation of periodical small reports regarding the progress.

Obstacles/benefits: Makes the roles and goals clearer, help to compare what the bank is trying to achieve, and what is happening in reality. Measurements ensure sticking to the plan.

7.3 Refreezing

Phase 14: Integrate lesson learned though reflection: A process which should be on going throughout the whole process, not only in the end of it. 'Lesson learned reflection' practices: look back on all that has been done so far and learn from what worked and what not, to adjust the next steps (Wood Daudelin, 1996). This step helps dealing with problems and finding solutions in real-time, identifying the weak points of the process, and forcing the change leaders to face the reality.

Actions:

- 'Lesson learned' concept provides the strategists and implementers with a tool to learn about what has been done. The instrument is used to is trigger questions that force people to make 'case – result' connection and review the success of the process, such as: what we were set to do? What actually happened? Why did it happen? What we are going to do in the next step? Did we achieve the goal or not? Why? What can be done to improve the situation? Did achieving the goal provide the expected results? The implementers team must insure having reflection sessions frequently along the process.

Obstacles/benefits: Help to understand what works and what not, what practices shall be maintained, and what stopped or changed. How to overcome the barriers for success, revisit the original goals and reset new ones.

Phase 15: external communication: During the refreezing stage the communication is more focused on outside, emphasizing the success of the process, anchoring the vision in daily activities. In addition, informing the stakeholders and external environment about the process has the potential to gain appreciation and create additional value to support the process.

Landsbankinn: Despite the fact that the process is in a very beginning, the bank do communicate the change towards outside, at times further than inside, using press statements and web page of the bank. This might indicate on using CSR as a PR and marketing tool. However, value change statements which are not grounded in reality can increase public suspicion regarding the motive of the actions (Van Lee et al., 2008). This few of the interviewees referred to the risk of that happening the case of Landsbakinn. In order to gain true appreciation of the public, there must be put content into to the statements.

Actions:

- Publication of the process in later stage, when the bank can insure actions behind statement.
- Publishing reports can serve a valuable tool to maintain the dialogue with stakeholders outside the organization shareholders, customers, NGOs and so on.
- Inform the outside stakeholders regarding the change which been achieved by using tools of massive communication.

Obstacles/benefits: Constructive dialogue can help improve and fix weaknesses and mistakes which were made during the process. Motivate the employees and reinforce the process by support from outside. Increase commitment to the change

Phase 16: Institutionalization of CSR: Looking for ways for the change to be maintained and to ensure it becomes an essential part of organization culture and decision making process. The way to achieve it is by maintaining ongoing dialogue with the involved stakeholders, to ensure creation of long term value. The organization needs to create managerial competence and capacity to deal with stakeholders concerns (Maon et al., 2009).

Landsbankinn: No information regarding the actions on this stage since the bank is yet to reach it.

Actions:

- Transparent and open dialogue during evaluation process derives future improvements and promote positive attitude towards organization and process, reducing the level of skeptics and increase cooperation.

Obstacles/benefits: Avoiding regression of the achieved.

8 Discussion

In previous chapters I have presented the CSR implementation process of Landsbankinn and analyzed it through a combined change management model. In this chapter as Landsbankinn is still at early stages in the implementation process I will discuss the main issues that came up during this research and bring up key factors which the bank needs to consider for a successful implementation of CSR.

8.1 Summary of findings

Landsbankinn is taking a step into the right direction by being one of the first Icelandic companies to commit and act towards implementation of CSR. However the findings of the study show that the actions made by Landsbankinn regarding CSR put this achievement at risk of becoming 'green wash', instead of bringing genuine change to the Icelandic business landscape. By examining the CSR goals declared by Landsbankinn with the actions made by the bank, there turns out to be a rather limited fit so far. Landsbankinn expressed the desire to be a key actor in the Icelandic community and an influential change leader in the economy and society, towards sustainable development and economic stability, setting a role model for other Icelandic companies. However, the actions of CSR that has been made so far, are still external to the bank overall strategy. Those actions don't yet address the statements of the bank regarding the desire to take part in insuring the welfare of Icelandic society and be the agent of change. Those actions might be a part of the process of 'unfreezing' phase, where easily achieved actions are made to demonstrate the benefits of CSR. However, the direction that has been taken by most of the banks' activities in sphere of CSR are falling into old model of corporate philanthropy, focusing on external issues such as innovation funds, instead of deriving benefit from responsible business behavior (Kremer & Porter, 2003). In this chapter I will refer to the main gaps that came up from comparison of CSR activities in Landsbankinn with the suggested model of change management, and the theoretical concepts of CSR. I will ground this theory in examples from Landsbankinn and will come up with suggestions for actions to change the current direction of CSR within the bank.

The assumptions made in this section are grounded in the research that took over a year, including data collection and analyzing the processes around

CSR within the bank. Close examination shows that most of the initiatives done under the CSR framework were in the zone of 'low hanging fruits', which indicates that the bank is still in the very initial phase of the process. The actions made in the past year are border-line practices of efficiency and cost saving (decrease of paper and energy use) or traditional corporate philanthropy (innovation and environmental grants). Those are indeed good deeds and welcomed initiatives, but this is far from being innovative CSR, as has been demonstrated in literature review. Those actions don't present innovative way of making business, rather they attempt to gain back some of the support lost in the crisis, using high profile PR actions, using CSR as a marketing tool.

In general, Landsbankinn is still in the 'unfreeze' phase of the change management model. The general framework, definitions, design and framing of change, action plan and measurements are not yet defined. With the right modifications regarding the issues brought below, the bank still has the potential to change the direction towards true integration of CSR within in Landsbankinn. This discussion presents the main gaps that came up from comparison of the activities of CSR with the suggested model of change management.

8.2 Main barriers to the change

8.2.1 Framing the change – tactic vs. principle

Currently Landsbankinn is facing a crossroad regarding the way it chooses to manage the change. As explained earlier, according to the findings, the general trend indicate on going in the direction of using CSR as a tactic (Macdonald, 2012), aiming at rather basic activities and hoping to gain public credit for them. Comparing the actions made in the passing year within the bank, with CSR strategies of the leading financial institutions in the sphere, show how far exactly Landsbankinn has been gone down the CSR road. An example of this gap approach can be found in the 'Suppliers Policy' published by Landsbankinn recently (See appendix 1). Instead of setting specific requirements and presenting binding standards for the suppliers, the document consists good intention declarations such as: *'In the future, Landsbankinn will prefer choosing suppliers with friendly labels'*. This approach also doesn't address the requirements of the environmental and social responsibility tools chosen by the bank itself to manage the change, and discussed in chapter 3.

Despite that, the work of the steering groups has not been completed yet, and with the right steps, their activity still can lead Landsbankinn to the direction of change as a principle. This however will require reframing of the

process in the bank and making fundamental changes in the way the change has been managed in the bank. Achieving this change is essential in order to put the bank on track to the holistic and principle approach to implementation of CSR, as it's done in the sphere of leading financial institutions in the world. Shortcomings of the process are: 1) lack of awareness, 2) lack of knowledge and understanding of key concepts of CSR by the employees of the bank, 3) lack of support from the management level, 4) shortage of communicating channels regarding the issues and the perception of CSR as external marketing tool by the employees. A successful process has the potential to improve the state of the bank in Iceland and crucial to win over appreciation of the employees.

8.2.2 Lack of information and understanding

The problem in framing the process occurred in the fact that most of the interviewees referred to the recent actions of the bank as being CSR, and to the whole concept of CSR as a marketing tool used by the bank to improve its image and with potential to save costs. Discovering this widespread opinion on the concept indicated me to believe there is an essential lack of knowledge and understanding of CSR concept among the employees. While small group of employees are involved in the process within the framework of steering groups, most of the employees got only brief introduction (2-3 hours) to the new concept in the bank. There is some more available information on the intranet, however, the access to them is voluntary. This lack of communication, information, training and education for the employees creates lack of awareness and basic understanding of the concept, as has been demonstrated in the interviews. Even the scope of change by the recent actions is limited. For example, all the employees were aware of the transport deal offered by the bank to reduce private car usage. This is one of the CSR flag activities in the bank, yet none of those interviewed was using it. If the bank truly aspires to implement CSR as the new paradigm of business strategy within three years, it will be impossible to achieve with such a low level of knowledge and awareness.

8.2.3 Lack of management support

The lack of information and awareness of CSR process is common through the entire organizational structure. The interviews led to an impression that this includes the management level as well. This puts the whole process at risk. The management is not giving sufficient support to the process as been demonstrated in the finding chapters. Some of the employees interviewed spoke of the low willingness to sign the PRI initiative. Some hesitation in putting

standards for cooperation with companies with potential environmental or social hazard was identified as well as reluctance to allocate resources to the CSR process.

The CEO of Landsbankinn is one of the initiators of the CSR process, providing the specialist a essential backup for his work. CEO support is crucial during organizational change, giving the process validation and reinforcing the desirable corporate values (Van Lee et al., 2008). Despite the importance of CEO support, just his support is not enough. Without having support from the management team, the policy and the principles will not be put into action and practices. Lack of management support and inconsistent attitude towards the change is one of the main barriers for implementation (Hillary, 2004). There is a consensus that managerial attitude towards CSR and environmental issues have significant implications on the outcome of the process, since they are ones responsible for daily operation. The more emphasis management puts on the importance of the issue, willing to devote efforts and allocate resources, the greater response will be within the firm (López-Gamero et al., 2010; Maon et al., 2009; Stone & Wakefield, 2000).

Due to that, the CEO and change managers within the bank should consider putting more effort in creating the understanding at the management level regarding the connection between social – economically sound business and financial performances. Gaining the management support to the idea of CSR can motivate the whole organization and enhance the process.

Employees which were directly involved in the steering committees showed deeper understanding and expressed support, interest and sense of importance in CSR activity. This finding can indicate the there is a place for the process within the bank. Hence, by establishing information channels and education approach, broader support and interest can be generated, and contribute to creation awareness to the possibilities truly innovative process holds.

8.2.4 Unclear structure of change management

Change management in organization is a challenging process. In order to increase chances for success it must be well designed and planned, and execution process must be structured and gradual, without shortcuts or skipping steps (John. P Kotter, 2008). In general overview, critical stages of the process in Landsbankinn haven't been fulfilled, or have only be done partly. This as well indicates more towards surface focused process, rather than towards deeper incorporation of principles. There are many examples brought in the change management model analysis chapter which demonstrate short cuts or that the process is partly executed. If Landsbankinn decides to take

more comprehensive approach of implementation, going back to the beginning and following the structure is essential.

One of the most significant issues emerging from the data and analysis of the process is the education of employees and information provided. This is one of the main factors missing in filling in the gaps between the theoretical framework of the change management model, and the reality of the bank. Information of the employees throughout the steps of 'unfreezing' and designing of the change will insure higher efficiency. So far Landsbankinn is managing the development of actions and priorities through middle management and steering groups getting comments from the employees and passing this information back up to steering groups for adjustments. However, this approach may result in skipping some important steps in the process of evaluating climate for change and preparing recipients for change. Avoiding these steps means avoiding opportunities for education and involvement of all in the critical steps of policy making.

Very significant in its absence is the measurement to monitor the process. Besides setting the goal of winning the environmental award for 2014, there have been no specific goals set to follow the progress. Although setting measurements is part of the steering groups' mission, strategists and initiators of the change must set general milestones to monitor the process and among those, the work of the steering groups themselves. Having efficient measurement system is essential key to successful implementation process, allowing the change agents to reassure the process achieving its goals, identify problems and reinforce the entire process (Mento et al., 2002).

Another example is setting steering groups to create definitions and action plan without performing stakeholders mapping process, analyzing their interest and expectations. This might result in a situation where the outcome of the steering groups work will not be valid for the reality of the bank and will have to be re-adjusted.

8.3 Strategies to overcome the barriers

8.3.1 Increasing bottom-up process for learning

The examples above demonstrate mostly top-down management oriented process with very little place for involvement of employees and other stakeholders in the definition of change. The current attitude towards the process is that learning about CSR is a matter concerning mostly the few members of the steering groups. This situation creates disconnection of the process from the entire organization and can cause lower participation and

cooperation when the steering groups will finish their activities and present the results. This approach indicates a transmissive rather than interactive view of learning. However, this may cause inefficiency of the process. Receiving a feedback from employees regarding the definitions and implementation plan may cause the need of the steering groups to go back and adjust their work. Another risk of the current attitude is that employees will be reluctant to receive a change made by small group, with limited possibilities to influence or understanding of the motives led to required actions. Creating ongoing dialogue and interactive learning opportunities between the steering groups and rest of the employees will create a range of solutions as implementation proceeds. Employees will enjoy a higher level of understanding of the issues, and feel more involved in the process, since it does concern them. The strategists and implementers will benefit by raising understanding and value to their job, and higher cooperation in implementation stage. In addition, the process of designing the change will be matching the needs of the organization and employees, which will improve its efficiency (Lewis et al., 2006).

What Landsbankinn aims to achieve is a dramatic change within the organizational culture of the bank and innovative approach in the Icelandic landscape. Achieving change in organizational culture is challenging and cannot be enforced from above. Constant ongoing dialogue throughout the entire process and not only in the end of it, will allow overcoming many obstacles presented and solutions to be found by changing organizational culture. Among the benefits of ongoing open dialogue are establishment of firm commitment by all stakeholders to the concept of CSR. But most important it will allow the employees discuss, explain and understanding what CSR means for the bank as a whole, how it concerns individuals, emphasizing the linkage between CSR principles and improved performances.

8.3.2 Achieving differentiation and competitive advantage

One of the ways to encourage the process in the bank Landsbankinn is by portraying the possible benefit from the change. The bank is facing an opportunity to differentiate itself from competitors, creating additional value to its activity by bringing new approach of making business (Porter & Kramer, 2011). Yet, for gaining competitive advantage, there is a need to create true differentiation from others in the business (Hoffman, 2000). Succeeding in creating value can come only by taking the principle strategy for change, rather tactical opportunism (Macdonald, 2012). This requires genuine CSR process of incorporating the CSR principles as a core of the business, coming out of understanding the potential for business and society, in contrary to what been

done so far. Most of the actions made by Landsbankinn are on the surface of the business, with high visibility and marketing potential, aiming at the image of the company but none of those truly influenced the business strategy of the bank (Jones, 2012). Those actions may bring about temporary positive public image, but do not present challenges to the competitors since can be easily imitated.

Interviewees claimed that public is still suspicious and skeptic about the philanthropy actions of the bank. If the bank continue in tactic strategy regarding CSR, putting effort mainly in short term publically high profile action, this attitude of the public regarding the bank will not change, and the actions might not benefit in the long term. Along the interviews there was also a frequent reference to the low awareness of sustainability and CSR issues in Icelandic society and business sphere as a problem the bank faces during the process. This presents a contradiction within the argument, since pioneering and role modeling requires engagement to sphere not explored before. Hence the low awareness might even be approached as advantage in this case.

If Landsbankinn will acknowledge the opportunity, it can set the new values as competitive assets (Van Lee et al., 2008). If the result of the steering groups' process will produce true integration of CSR into the core business and strategy, this will have a potential to gain the public support in the long term. Changing the ways business is done and putting standards for other companies to follow, is a difficult step to make. Nevertheless, it will demonstrate to the public that Landsbankinn does want to change its ways and acting towards future welfare in Iceland. As brought up earlier, socially-environmentally sound companies also enjoy high profitability due to creating competitive advantage, lowering risks and gaining positive reputation. This reputation will be based on acknowledgement of the public that true change has been made in the business, and not just temporary marketing actions. What will truly set Landsbankinn apart and enable creation of value and competitive advantage is integration of the principles within the overall strategy (Hoffman, 2000; Porter & Kramer, 2006; Weber, 2005).

8.3.3 Insuring profitability

Along the research, one of the major worries that were expressed by the employees is that the bank currently in a difficult financial situation and the management is not keen on taking costly actions, such as putting standards for loans and investments. However, actions required by CSR have a potential to save money for the company by lowering risk as described earlier. In addition, using principles of responsible investments could give the bank another

protection against high risk investments. Making CSR values fundamental base in the organization has the potential to protect the bank from risk hazard for the long term (Van Lee et al., 2008). This will also demonstrate to the public that Landsbankinn is willing to committee to real change and gets away from its past behavior, a message that is essential for Landsbankinn to send out to its stakeholders.

8.3.4 Change of values

The lack of support from the public to bankers and complains regarding the negative image has been frequently expressed by interviewees. The employees complained they suffer from this attitude both as employees of the bank and professionals. Those negatives views and attacks from the public cause many of them lack of motivation and frustration with their work. According to one of the interviewees: *'The bank needs to do something to motivate people to be happy about their job, to make people proud of the bank again'*. This information indicates that neither the public, nor the workers happy with the way the bank is operating so far. Studies show that companies that have suffered though fiascos may be able to recover by change of corporate values to enhance new organizational culture (Van Lee et al., 2008). Integration of CSR principles may be a turning point for Landsbankinn to gain trust of the public and employees. The changed values can be used as risk mitigation for dangerous behavior, and as assets in creating a competitive advantage by setting new paradigm of making business (Lindgreen, Swaen, Harness, & Hoffmann, 2011; Van Lee et al., 2008).

However, the reality should be faced, setting the standard to the industry and lead a change in society requires first of all a true change within organization, before it can be moved beyond company's borders. One of the major factors that drive organizational culture and behavior is corporate values. Changing those values is challenging but essential step to ensure true change assimilation. Values are the core of organizational behavior, and it's impossible to change one without the other (Van Lee et al., 2008). Despite the opinion of few of the interviewees, the change Landsbakinn aspires to achieve does require great efforts, but has a big benefit on its side. Dismissing the efforts for change in excuses such as *'it's not relevant to what we do'* indicate once again the improper communication of the change to the recipients. Company that decides to engage in value driven change should educate the employees regarding the connection between values and performances and its relevance to all the parties involved.

8.3.5 Establishing efficient work place education – preparing recipients for change

From the discussion above and from the evaluation of the process through the change management model, it becomes clear that the key solutions to most of the obstacles in the process related to commitment, education and communication. The research didn't bring forth much resistance to the process among employees, rather lack of awareness and understanding, causing low interest for the process by the employees. This mainly happens because they simply did not have enough understanding what does it has to do with the bank activity and their everyday job. Low awareness and interest are causing apathy for the process, treating it as a matter of small group and marketing initiative. Misunderstanding of key concepts of values – performance linkage causing low support from the management team to the process and the absence of back-up brings lower motivation from the change agents.

The chain of events described above is still reversible by establishing efficient education framework within the bank, to promote literacy regarding issues of sustainability and CSR and the relevance to financial sector. The employees in Landsbankinn are motivated for change and eager to see the bank change its' way of doing business, improving its operations and reputation. This indicates that by portraying to the employees that CSR is the acceptable norm in leading financial organization around the world, and emphasis the benefits of embracing the principles into the core business the support, cooperation and motivation will raise.

Creating more knowledgeable employees will generate not only higher level of cooperation with new procedures, but also produce more loyalty to the process and will allow to delegate the actions. Delegation throughout the organization helps to implement the process more efficiently due to the local implementation in departments and creates a sense of ownership among the employees (Holman & Devane, 1999).

Using multiple channels of information and different set of education will increase understanding and involvement in the process. The interviewees expressed desire to receive more diverse trainings than only lectures. This can be achieved by creating more open frameworks of dialogue such as discussions, focus groups, bringing outside specialists, reading circles and creating environment where the employees practices implementation of CSR principles in daily activities. Using multiple settings of education, including informal and non-formal ways of learning will foster the process of internalizing the values and importance of the process. Incorporating CSR values in everyday practices, establish patterns of mutual learning between employees, and socialization

process towards CSR within the bank will all contribute to increase literacy of CSR in Landsbankinn (Eraut, 2004). Knowledgeable staff will more likely to believe to the idea of CSR, which will foster and facilitate the change (Van Lee et al., 2008). In addition, environmental literacy among professionals in the business is essential in order to move business environment forward and keep on with the growing trend around the world (Jóhannsdóttir, 2009).

8.4 Summary

Since the work of the steering groups is not yet completed, there is still a potential that Landsbankinn will take the needed steps for strategic implementation of CSR within the bank and enjoy the benefits of described above. The management of the bank needs to review the situation and decide which direction will be chosen to pursue. If the direction of overall 'principle' approach to implementation will be chosen, the decision makers must be able to commit to the transformation, invest in education and communication of the CSR process entire bank. In addition, the management must be willing to carry out significant changes in the bank operation and facing the difficulties which appear during such a complex process as change.

Despite the many obstacles Landsbankinn is due to face through the process, the benefits in CSR ensure that this long planning process pays off. The leading companies in the world today are working in the same direction, reviewing the traditional ways of making business and trying to create value of combining social, economic and environmental needs (Porter & Kramer, 2011). In order to position itself among those leading institutions Landsbankinn must overcome the barriers and integrate the CSR principles within its business strategy. Hopefully the study will assist the bank to overcome some of those barriers by preparing to them in advance, using the suggested analysis and recommendations.

What Landsbankinn aspires to achieve by being key leader of change in society and economy, requires first of all big change within the organization itself before can be exported to the rest of the society. By implementing the suggestions presented in this paper, the bank has the potential to increase the level of integration of the new values and principles into its business strategy and foster the process of implementation. My study suggests focusing the integration by increase involvement, participation and awareness of employees, rather than focusing on top down implementation. Using education tools and information channels such as: brainstorming, focus groups, field work, competitions in the issues, discussion groups and increase involvement and influence of employees in decision making for the process will increase interest, participation and satisfaction of the employees.

9 Conclusions

This thesis looks at the connection between CSR concepts and the strategy of implementation of change in an organization. The thesis consists of a few topics: 1) a research literature regarding concepts of CSR, their meaning in practices within an organizational framework focusing on the financial sector, 2) an examination of change management strategies and a synthesis of a model for CSR change management. Later I combined the two to perform a case-study of Landsbankinn and its CSR change management process.

My research questions were: What are the key processes involved in CSR implementation in an organization? And what are the factors behind the change management process?

The results demonstrated that the key processes involved in successful implementation of CSR are grounded within the interpretation of CSR theoretical concepts to fit in with organizational culture and needs of the stakeholders. The main factors behind an efficient process of change management are education, communication and establishment of open ongoing dialogue among all the stakeholders. These methods will allow recognition of organizational culture along with needs and expectations that should be met in the CSR change management process.

The main contribution of my thesis is the creation of a change management model adjusted specifically to evaluate and analyze the progress of CSR implementation process. Although the research focused on one case study, the model and suggestions for actions can be applied in different cases of CSR change management. This model allows companies which face difficulties during the process to analyze their activities step-by-step and recognize the gaps between the theory and reality. The model includes specific activities to fill the gap and overcome obstacles. Many companies find themselves in similar situation as Landsbankinn. When a decision to implement CSR has been made, the lack of understanding of its operational meaning and difficulties in translation of CSR principles into business strategy creates a barrier to the process. For that reason the model presented in this thesis could be a useful tool for many companies.

The conclusion of my study regarding the essence of CSR change management process is importance of setting up education and information systems in the entire organization. I was surprised to find out exactly how much

influence education and information can have during the change management process, and the contribution it holds in overcoming obstacles during the process. Setting efficient systems of education and training allows overcoming difficulties such as lack of management support, resistance, and misunderstanding of the need in change, low interest and involvement, and procedural obstacles.

By educating the employees at all levels regarding the potential benefits achieved by the change, almost all the difficulties Landsbankinn faced can be overcome. By portraying to the employees the linkage between CSR and risk mitigation, positive reputation, consumer satisfaction, long term sustainable growth and stability, support and interest for the initiative will grow. Education is also the key to a value change process, which is essential for Landsbankinn to recover from the crash and start a new way of making business. This process is vital for Landsbankinn in order to restore the trust of public and the pride and satisfaction of the employees.

My study received the support of the CSR specialist of Landsbankinn and access to firsthand information, documents and interviews with employees, which allowed me to receive quite a realistic picture of the situation in the bank regarding CSR. This contributes a lot to my project and made it valid, updated and useful. However, the process of CSR implementation is far from being over, and unfortunately my study ended before the steering groups presented their results. I believe that with access to those results and conclusions, my work could generate a more useful product, as I would be able to compare concrete operational definitions and actions with the theoretical concepts of CSR and change management.

For future research there is the potential to examine the model throughout the entire process of implementation, researching the efficiency of the activities suggested in practices. Another aspect which is worth focusing on is the different channels of education and information regarding CSR in organization during change, such as how to communicate to the employees CSR principles and link them to operation aspects, what education and learning practices are working and which are not.

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Appendix 1: Supplier policy

Hvað þýðir samfélagsstefnan: Samskipti við birgja og sala eigna

1. Samskipti við birgja

Landsbankinn skilgreinir „Samskipti við birgja“ sem það ferli sem á sér stað frá þarfaskilgreiningu til innkaupa og veittrar þjónustu á samningstímabilinu.

2. Gæta sanngímis

Landsbankinn gætir sanngímis hvað varðar verð, t.a.m. ef verð er undir kostnaðarverði eða í ósamræmi við gildandi kjarasamninga.

3. Jafnræði og meðalhóf

Landsbankinn skilgreinir jafnræði skv. 11. grein í stjórnsýslulögum nr. 37/1993. Landsbankinn skilgreinir meðalhóf skv. 12. Grein í stjórnsýslulögum nr. 37/1993.

4. Fjárhagsleg hagkvæmni

Landsbankinn skilgreinir fjárhagslega hagkvæmni skv. 1. mgr. 45. greinar í lögum um opinber innkaup nr. 84/2007. Athygli er vakin á því að upptalningin í 45. grein laganna er hvorki bindandi (verði að taka tillit til allra þátta í öllum útböðum), né tæmandi (að ekki megi taka tillit til fleiri þátta í útböðum).

Landsbankinn tilgreinir í útböðsgögnum til hvaða atriða verður litið við mat á fjárhagslegri hagkvæmni, sé lægsta tilboði ekki tekið.

5. Rafrænar reikningar

Landsbankinn stefnir að því að auka markvisst notkun rafrænnar reikningsmiðlunar (útsendingu og móttöku reikninga) í viðskiptum við birgja og þjónustuaðila.

6. Samskipti við birgja og þjónustuaðila eru endurskoðuð reglubundið

Landsbankinn endurskoðar með reglubundnum hætti samskipti og samninga við birgja og þjónustuaðila til að tryggja að samningum sé fylgt eftir og þeir séu í gildi. Þetta felur í sér að bankinn skilgreinir til hve langs tíma samningar skulu gilda. Öll innkaup yfir viðmiðunarfjárhæð byggjast á skriflegum samningum.

7. Umhverfis- og samfélagsstefna

Landsbankinn ætlar að vera samfélagslega ábyrgur og bankinn velur sér samstarfsaðila sem deila þeirri framtíðarsýn. Samfélagslega ábyrgir birgjar og þjónustuaðilar auðvelda Landsbankanum að vera samfélagslega ábyrgur banki. Landsbankinn velur gjarnan umhverfismerktar vörur og birgja og þjónustuaðila sem eru með vottað umhverfis- eða gæðastjórnunarkerfi eða sambærilegt.

Við innkaup er tekið tillit til umhverfissjónarmiða. Ef vörur eru sambærilegar ber að velja þá tegund sem telst síður skaðleg umhverfinu. Vara getur verið dýrari í innkaupum en kann að leiða til sparnaðar þegar til lengri tíma er litið.

8. Verk- og ábyrgðarskipting

Verk- og ábyrgðarskipting felur m.a. í sér aðskilda ábyrgð starfsmanna hvað varðar beiðni/samþykki, greiðslur og umsýslu eigna. Sé ekki hægt í einhverjum tilfellum að skipta verkum og ábyrgð á ofangreindan máta, eru þau tilvik skrásett og eftirlitsferlar skilgreindir.

9. Útboð

Landsbankinn getur keypt ákveðnar vörur og þjónustu án undangengis útboðs séu innkaupin undir ákveðnum viðmiðunarfjárhæðum. Sé um endurtekin smáinnkaup að ræða getur Landsbankinn ákveðið að gera samning við tvo eða fleiri birgja til ákveðins tíma. Sé um stórinnaup að ræða ákveður Landsbankinn hvort bjóða eigi vöruna/þjónustuna út eða hvort gera skuli verðathugun hjá þeim birgjum sem eru með samning við Landsbankann.

Samskipti við birgja og sala eigna

Samskipti við birgja

Landsbankinn er fjármálafyrirtæki sem á viðskipti við fjölmarga birgja og þjónustuaðila. Landsbankinn er í góðu samstarfi við þessa aðila og leitast við að gæta sanngirnis, jafnræðis og meðalhófs í samskiptum við þá, bankanum og samfélaginu til hagsbóta.

Landsbankinn tekur tillit til umhverfis- og samfélagsstefnu í viðskiptum sínum við birgja og þjónustuaðila. Jafnframt styður bankinn þá í að auka og þróa umhverfisvitund í starfsemi sinni.

Landsbankinn leitast við að kaupa vörur

og þjónustu í nærsamfélaginu sé því við komið út frá fjárhagslegri hagkvæmni og faglegum sjónarmiðum. Landsbankinn velur þá birgja og vörur sem eru fjárhagslega hagkvæmastar fyrir bankann. Landsbankinn leggur áherslu á að nota rafræna reikninga í viðskiptum sínum.

Landsbankinn beitir markvissum og skipulögðum vinnubrögðum við innkaup og fer eftir gildandi stöðlum og reglum til að stuðla að heilbrigðri samkeppni. Samskipti við birgja og þjónustuaðila eru endurskoðuð reglubundið.

Landsbankinn skilgreinir verk- og ábyrgðarskiptingu varðandi innkaup á vörum og þjónustu. Starfsmenn Landsbankans gæta trúnaðar um þá vitneskju sem þeir fá í samskiptum við birgja og þjónustuaðila.

Landsbankinn skilgreinir hvenær vöru- og þjónustukaup eru boðin út eða verðtilboða leitað.

Landsbankinn fylgir fyrirfram skilgreindu og gagnsæju sölufærli við sölu eigna bankans.

Sala eigna

Landsbankinn fylgir fyrirfram skilgreindu og gagnsæju sölufærli við sölu eigna bankans. Fasteignir bankans, bifreiðar og lausaffármunir eru seldar í gegnum eignasölur eða með opnu sölufærli. Landsbankinn tekur hagstæðasta tilboði sem berst í eign bankans af því gefnu að tilboðið uppfylli lágmarkskröfur s.s. hvað varðar verð, greiðslur og greiðsluhæfi kaupanda og samfélags-sjónarmið.

Landsbankinn tekur tillit til umhverfis- og samfélagsstefnu í viðskiptum sínum við birgja og þjónustuaðila.

Appendix 2: Change management model

Mento (Mento, Jones, & Dirndorfer, 2002)	Moan (Maon, Lindgreen, & Swaen, 2009)	Solutions to obstacles	Questions and practicalities
Unfreezing (Lewis, Schmisser, Stephens, & Weir, 2006)			
Assessing the present situation in the company. What works? What should be changed? Identify the gap between current and desirable situation. Creative tension.	<p>Assess the current situation and attitude towards CSR.</p> <p>The issues which should be identified are: social and envi. Impact of firms' activity, corporate governance, commitment to sustainability and societal dialogue process.</p>	Establish reality picture of the attitude towards CSR, setting accurate starting point.	<p>Examine official organizational parts: states, codes of conduct, principles, documents and interview with key position holders.</p> <p>Depth approach – relying on engagement of stakeholders in dialogue which can relieve more trustful picture, increase trust and commitment in the process and promote cooperation.</p> <p>Other tools which can be used are measurement tools such as GRI or ISO.</p>
	<p>Identify key stakeholders and their crucial issues. There are many stakeholders with diverse interests, values, objectives, expectations and demands which must be taken into account when planning change.</p>	<p>Create clear assessment of the roles and groups allow establish clearer process and future more accurate understanding of the dynamics within the organization. Help gaining cooperation, address pressures and generate more harmonized process.</p>	<p>Process of identification and analysis of stakeholders, their power, influence and importance.</p> <p>Prioritizations of them.</p> <p>(Several mapping and analyzing tools).</p>
	Evaluation of the climate for change:	Learning though out experience of	- looking previous change processes,

	<p>Uncover corporate norms and values in order to fit the new program to the existing culture. In order to create a genuine lasting change, there is a need to connect it to core values and business practices of the organization.</p> <p>Benchmarking competitors practices, CSR norms and standards: look and learn from outside, competitors and industry.</p>	<p>others and networking helps to understand what is needed, reduce the blurriness around the concept and foster the process of planning and coming up with possible actions.</p> <p>Networking allowing creating closer dialogue with stakeholders such as policy makers, investors, competitors, academy. Adjusting the change to org. culture helps create smoother shift, showing what and how things should be done.</p>	<p>patterns of success and failures.</p> <p>- Identify the best performers of CSR among the industry, evaluate the best practices among the competitors, compare them and chose those who best suit the firm. Learn about the acceptable norms and standards in the operating environment, compare to the situation in the company, identify the gap and according to that plan how to fill it.</p>
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<p>Develop change plan – specific goals, dividing responsibilities, content and process. The key for successful plan is keeping balance between specifics and flexibilities. The emphasis shall be listening and engaging the participants in the process will increase effectiveness, much more than short term pressures and ‘stick’.</p>	<p>Establishing vision and working definitions of CSR. Organization must define what exactly CSR means, and this definition must: 1) Promote social responsible vision.2) include stakeholders expectations.3) Be compatible with organizations long term strategic goals.</p>	<p>Dealing with resistance to change. Formulating, declaring and communicating operational definition of the change will assist to reduce uncertainty, confusion and misunderstanding of the process, its meaning and effect on organization.</p>	<p>Creating FOR – frame of reference for each player. Giving each of the players a role will help recognize if they willing to put effort and reveal cooperation and resistance, and adjusting the plan according to that. - Operative definition is essential for establishing agreed direction and measure progress; revile motivation for the commitment and the stakeholders which are important to the process. WHY to do this and FOR WHOM.</p>
	<p>Developing CSR integration strategic plan – Many organizations want to implement CSR but don’t know how to incorporate the 3P (people, planet, profit) into strategy and action, translate values, visions and policy statements into actual action. Development of CSR supporting structure requires use of established operational definition in target development and creation of measurement mechanism.</p>		

<p>Sponsorship – anchoring support among the powerful players.</p> <p>There is a need to win over the commitment of key players in order to convince them to become change leaders:</p> <ul style="list-style-type: none"> - Emphasize the necessity in change and costs in rejecting this change. - setting clear goals and exit points in case things don't work out. - giving possibility of influence to the sponsor. - keep the sponsor on high informed level. <p>Implementation of change occur top – down but the content of change must be developed bottom up, this is why sponsors role is so important.</p>	<p>Employees are the face of organization and obtaining a lot of power: being ambassadors, advocates, sources of ideas, information and in some cases also of problems. Empowerment of middle management, identification and enabling their cooperation and support is crucial for the process.</p>		<p>Identify whose commitment is crucial for the process, who can influence them and gain their support, recruitment of influential players to be change leaders. Creating monitoring system to assess progress.</p>
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<p>Prepare recipients for the change – change will not be possible unless the people will be willing to accept it. The actual implementation occurs only when employees accept the concept of the change and its specifics in their everyday routine.</p>	<p>Raising awareness in the organization – both of management and employees. The development of such awareness often triggered by changes occurs in the business environment which influence management perspective towards CSR: economical pressure, stakeholders and so on.</p>	<p>Every change, positive or negative will raise resistance because it contains the unknown and adds stress to the system. Dialogue opens communication channels, increase levels of knowledge and help reduce stress.</p>	<p>The change should be communicated to the recipients and implementers as clearly as possible, in order to reduce the unknown using: credos, corporate charters, mission statements, reports, websites and more. Managers need to invest in programs to educate the employees about CSR to ensure smoother execution and cooperation from all parts of the organization.</p>
<p>Creating culture fit – making the change last. The change must become essential part of culture and ‘how things are done’ in order to last, not being a separated or additional part. Failure to achieve anchor the change in long term strategy will bring to failure of the entire process. There must be match between the new strategy and existing culture in order to increase chances to last.</p>	<p>Essential for the organization to match the CSR and the core values of the organization so it becomes natural component of the culture. Insert value driven culture rather than target driven. After uncovering the norms, values and culture, now the implementers need to make sure that the new program fit those.</p>	<p>Ensure persistence of the change, lasting process.</p>	<p>-</p>

<p>Choose and develop change leading team – the role of leaders is to inspire, create vision and facilitate the process.</p> <p>Define the key players and their roles, dividing the organization into: strategists – initiating the need in change and designing the strategy. Change implementers – those who enforcing the change and enabling the strategy in reality.</p> <p>Change recipients – the employees that must adapt to the change, in order to achieve that, they must be convinced that it's going to benefit them.</p>	<p>Top management is the one to determine the direction of movement; middle management is the one to put it into action: making sure resources are allocated according to the set plan, monitor performances, behavior and communication of the strategy though the organization. Enforcing top implementation.</p>		<p>The change leaders better to be group rather than individual: diversity of skills and perspectives, sharing vision with other members increases commitment, motivation and competence for action .</p> <ul style="list-style-type: none"> - appointing officials or committee to be responsible for overall implementation. - putting CSR responsibilities into job descriptions and performances evaluations - recruiting knowledgeable about CSR employees. <p>Developing communication channels to share knowledge.</p>
Moving			
	<p>Implement CSR integrated strategic plan – creating training program and engagement of all the employees in the process.</p> <p>Such training program should cover aspects such as: worldwide CSR issues, policies, programs, goals, performances, and</p>	<p>Creating employees training will increase understanding of CSR issues, reduce resistance and increase cooperation by improve awareness of importance and advantages.</p>	<p>Engagement of the employees: focus on awareness and ensure they know WHY this process is done and important, the context of action, motivations, relevance, objectives and implications.</p> <ul style="list-style-type: none"> - Involvement of employees in discussions, decision making and

	the relevance of CSR to business operations such as: suppliers, transportation, waste, emissions, product design and so on. The program needs to demonstrate to the employees how CSR is relevant to their daily work and can help the company to achieve its goals.		implementation, creating ownership towards CSR activities among them, gaining over important stakeholder group. - providing incentives, rewarding employees for good performances or extra initiative in CSR.
Small wins for motivation – the longer the change process the more achievable goals along the way are important. Small victories and their celebration giving re-energizing to the process, provides open communication lines, increase sponsors support and reinforce reporting.		Increase support for the process, provide prove of progress and motivation and reduce resistance.	Create short term goals and milestones to motivate employees during the process. Too long term vision might be frustrating and contribute to resistance. Makes it easier on change leading team, encourage them by receiving positive feedback.
Constantly communicating the change – ‘communicate, involve and be honest’. Communication is the key and can determine success or failure of the process.	Communication about CSR – internal and external. Internal communication is the key to successful CSR implementation: clear identification of stakeholders and their expectations, enabling open and ongoing dialogue. The communication at this stage will consist of reporting regarding the change progress and	Increase understanding, reduce confusion, inform and prepare employees for the change.	Use as many communication channels as possible: newsletters, reports, meetings and trainings. Maintaining ongoing dialogue with stakeholders promotes development of knowledge, understanding and know how about the issues that coming up.

	informing employees on this in order to reassure them.		
Measure progress – essential in order to get an indication how the process is going, to keep the program on track and be able to spot down any problems as soon as they occur. Makes the roles and goals clearer, help to compare between what is trying to achieve, and what happening in reality.	Audit mechanism provides threshold to compare performances to expectations. The effectiveness grows even more when external audit body is involved. Stakeholders should be encouraged and invited to verify CSR performances.	Provide tool to ensure sticking to the plan. Present frequent small reports.	Create measuring scheme to monitor the progress. The measurement must be focused on a result driven approach, measuring only parameters which relevant to the program. The measurement process needs to be done along the whole program, not only in the end.
Refreezing			
Integrate lesson learned though reflection – a process which should be happening though out the whole process, not only in the end of it. ‘Lesson learned reflection’ (Wood Daudelin, 1996). Look back on all that have been done so far and learn from what worked and what not, to adjust the next steps.	Evaluation – the program must be evaluated according to measurements and goals which were set, in order to determine what works and what not.	Dealing with problems and finding solutions in real-time, identify the weak points of the process, forcing the change leaders to face the reality. Help to understand what works and what not, what practices shall be maintained, and what stopped or changed. How to overcome the barriers for success, revisit the original goals and reset new once.	‘Lesson learned’ concept provide the strategists and implementers tool to learn about what is been done. The instrument used here are trigger questions that force people to make ‘case – result’ connection and review the success of the process, such as: what we were set to do? What actually happened? Why did it happen? What we are going to do in the next step? Did we achieved the goal or not? Why? What can be done to improve

			the situation? Did achieving the goal provide the expected results?
	Communication during refreezing stage more focused on outside, emphasizing the success of the process, anchoring the vision in daily activities.	Constructive dialogue can help improve and fix weaknesses and mistakes which were made during the process	Communication to outside is important especially during refreezing. Publishing reports can serve a valuable tool to maintain the dialogue with stakeholders outside the organization shareholders, customers, NGOs and so on.
	Institutionalization of CSR – how can change be maintained? How to ensure it became essential part of organization culture and decision making process? The way to achieve it is by maintaining ongoing dialogue with the involved stakeholders, to ensure creation of long term value. The organization need to create managerial competence and capacity to deal with stakeholders concern.	Avoiding the change fading away. Transparent and open dialogue during evaluation process derives future improvements and promote positive attitude towards organization and process, reducing the level of skeptics and increase cooperation.	