

ABSTRACT

NIPPALA, JAAKKO JOHANNES. Corporate Social Responsibility and Sustainability in North Carolina's Small and Medium-sized Forest Products Companies. (Under the direction of Sarah Warren and Fred Cabbage).

Corporate social responsibility and sustainability have become increasingly important in modern business practices. The purpose of this study was to examine the corporate social responsibility (CSR) and sustainability practices and perceptions of small and medium-sized forest products companies in North Carolina (NC). These companies have less than 500 employees and most of the forest products companies operating in NC fall into this category. Research was carried out in two parts: first by conducting a content analysis of 22 websites of NC companies and second by conducting twelve semi-structured in-depth interviews with different company representatives to gain a deeper understanding of the practices and perceptions. The most frequently mentioned aspect in the websites was sustainability (48.6%), followed by CSR (19.8%). Most often mentioned CSR practices from the websites were safety and promotion of responsible forestry. Interviews identified social aspects of CSR as the most important for respondents. This is interesting since, according to earlier research, the forest industry tends to emphasize environmental aspects. The main drivers for CSR and sustainability were the owners and, to some extent, customers. Other stakeholders were not identified as important drivers. Interviews revealed that the company size is not really a defining aspect on implementation of CSR and sustainability, but it is instead a company specific initiative. Identifying and describing these effective patterns and practices of CSR and sustainability could help other small businesses create competitive advantages in forest products marketing. These practices can then be used as building blocks for sustainable and responsible business strategy.

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Corporate Social Responsibility in North Carolina's Small and Medium-sized Forest
Products Companies

by
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DEDICATION

I would like to dedicate this thesis to my father who has been a great source of inspiration and example in my life. Wish you could have seen this yourself.

BIOGRAPHY

Jaakko was born in Lahti, Finland. He graduated as Bachelor of Science in Forest Products Marketing from University of Helsinki in 2011. After graduation Jaakko spent a semester in Vienna, Austria studying at the University of Natural Resources and Life Sciences. In fall 2012 Jaakko enrolled in two years Trans-Atlantic Master's program in Forest resources (EU-US Atlantis Program), where he earns two master's degrees, one from University of Helsinki and one from North Carolina State University. He spent the first two semesters at the North Carolina State University in Raleigh in the United States and fall 2013 at the University of Helsinki, Finland. After graduation from NCSU, Jaakko will spend one semester at Swedish University of Agriculture finishing the Atlantis program and graduating from University of Helsinki in August 2014.

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INTRODUCTION

Forest industry has traditionally been an important part of North Carolina's economy, but during the recent years of economic turbulence and loss of manufacturing jobs it has been losing ground. Most of the forest products companies operating in North Carolina fall into the small and medium-sized company category¹. These forest products companies must find innovative ways to be competitive internationally and at home. Corporate social responsibility and focus on sustainability have been promoted as a way to gain competitive advantage in the forest sector and that is why it is important to study them.

The purpose of this study is to investigate the practices and perceptions of corporate social responsibility and sustainability among North Carolina's small and medium-sized forest products companies. By identifying successful practices and positive perceptions, North

¹ The United States Small Business Administration defines small and medium-sized companies in most manufacturing and mining industries as (a) businesses with fewer than 500 employees or (b) less than \$7 million in average annual receipts (U.S. SBA, 2012).

Carolina companies can adopt and reinforce corporate social responsibility and sustainability as part of their marketing and company business strategy.

During the past decade, corporate social responsibility (hereafter, CSR) has steadily gained more attention in corporate agendas. The original debate on whether companies should or should not engage in it has changed to when and where the commitment to CSR and sustainability should be made (Toppinen, Cabbage & Moore, 2013). CSR has become especially important in the forest products industry, mostly because it is an extractive industry sector that exploits natural resources in its operations. This exposes companies to risks related to public perception and consequent legislation (Näsi, Näsi, Phillips & Zyglidopoulos, 1997). Throughout the world, forest products companies are beginning to implement and promote the sustainability and responsibility of their actions in order to maintain the public acceptability of their operations. Such implementation of CSR has been driven primarily by consumers and employees who are motivated by social conscience and environmental ethics, resulting in a preference for responsible companies compared to ruthless ones (Toppinen *et al.*, 2013).

For the purposes of this study, corporate social responsibility is defined as ***“management of business activities so that profit is gained simultaneously with a creation of a positive impact on society and environment”***. CSR includes company’s voluntary actions to integrate the price of social and environmental externalities in its operations.

This study of CSR and sustainability is motivated by conflicts between short- and long-term business planning within small- to medium-sized enterprises (hereafter, SME). Because CSR has become an important factor in public relations and marketing within larger forest products companies, they have dominated the CSR agenda, resulting in an association of the concept with multinational companies and human rights (Panwar, Rinne, Hansen & Juslin, 2006). However, CSR and sustainability in SMEs is more likely to be implemented at a local level. It is widely recognized in the literature that SMEs can practice CSR, although it may be more difficult to implement, because of short-term exigencies and limited resources (Williamson, Lynch-Wood, & Ramsay, 2006). In fact, CSR and sustainable development in any kind of company is a micro-level approach to enhance sustainable development and thus should not be dependent on company size (Schaltegger, Burritt, & Petersen, 2003).

Small and medium-sized forest companies are often integral parts of local communities and thus of great importance in local development and economic well-being. According to earlier studies, these companies may already implement CSR in their daily operations, but without recognizing their actions or exhibiting awareness of CSR definitions and specific benefits (see: Hsu & Cheng, 2012; Murillo & Lozano, 2006; Perrini & Minoja, 2008). When examples of CSR and sustainability practices are found among SMEs, they can become models for social and environmental responsibility that have impacts both locally and internationally. Furthermore, earlier studies suggest that if CSR opportunities were identified and better articulated for small and medium-sized companies, they would be more willing to

implement it in their business strategy (Lantta, 2010). Thus the constraints set by relatively limited resources might be overcome by strategic adoption of CSR patterns and practices.

Small and medium-sized companies represent 99% of all the companies in the U.S. (Kobe, 2007). Furthermore, SMEs provide around 60% of all jobs, yet there are very few studies on their corporate social responsibility and sustainability practices. Small and medium-sized companies are not just miniature versions of large corporations. Hence a different approach to corporate social responsibility and sustainability issues is required (Williamson et al., 2006). The gap in current research needs to be closed because the economic contribution of these companies is significant. This study aims to fill part of that gap in current research and contribute to the knowledge of CSR and sustainability issues in the United States. In addition to significant research on and public interest in CSR, it has also been shown experimentally that consumer knowledge of a firm's CSR initiatives may lead to a higher evaluation of the company and a more positive view of the company's product (Brown & Dacin, 1997). Consequently, SMEs should have similar advantages from engaging in CSR activities than large corporations do. This means that SMEs should be able to benefit from the CSR rather than consider it as an extra cost factor.

OBJECTIVES OF THE STUDY

The goal of this study is to increase our knowledge by investigating the CSR and sustainability practices available to small and medium-sized forest products companies. A comprehensive understanding of CSR and sustainability benefits requires (1) assessment of current practices and patterns and (2) review of SME's perceptions of CSR and sustainability.

The objectives of this study are:

- (1) To identify corporate social responsibility and sustainability practices implemented in small- and medium-sized forest products companies in North Carolina.
- (2) To determine how these companies perceive and communicate the benefits and limitations of CSR.
- (3) To determine CSR and sustainability practices and the drivers behind these in SME's daily operations.

The contextual portion of the study consists of a literature review of existing studies about CSR and sustainability in the context of SMEs and forest industry. The empirical part of the study is comprised of two parts: (1) a content analysis of 22 North Carolina SME forest products companies' internet sites and (2) semi-structured in-depth interviews of 12 North Carolina SME respondents. Analysis of this data informs conclusions and recommendations.

CONTEXT

The Forest Products Industry in North Carolina

The North Carolina forest products industry includes pulp and paper, lumber and solid wood products, and wood furniture manufacturing. Besides these traditional production segments a new emerging field is the production of biofuels from wood. The forest products industry has been an important part of North Carolina's economy, as one of the state's largest manufacturing industry sectors. Manufacturing facilities are located in every county in North Carolina and they provide 16.7% of the manufacturing jobs in the state (Altizer, 2013).

North Carolina was once known as the furniture capital of the United States. However, intensified global competition, pressures of low cost manufacturing and recent economic troubles in the US together have caused a decline in the number of companies operating in North Carolina (Table 1.). This development follows a pattern similar to other developed regions in North America and Europe since the 1990s (Lähtinen, Haara, Leskinen, & Toppinen, 2008).

Table 1. Change in North Carolina’s forest products industry contributions to state’s economy 2007 - 2011 (SFI NC, 2012).

	2011	2007	% change 2007-2011
# of manufacturing facilities	2,369	2,742	-14 %
# of manufacturing employees	68,370	103,170	-34 %

	2011	2007	% change 2007-2011
	\$\$ billion		
Contribution to North Carolina’s Gross Product	\$ 4.10	\$ 6.10	-33 %
Wages	\$ 2.60	\$ 3.60	-28 %
Value of shipments	\$ 14.80	\$ 19.40	-24 %
Economic benefits	\$ 23.10	\$ 30.30	-24 %

The decline in demand and increasing competition leads SMEs to look for new sources of competitive advantage and value creation. Cutting manufacturing costs is one important factor, but to remain competitive in global markets it is also necessary to identify innovative ways of marketing products and gaining competitive edge (Dasmohapatra, 2009). CSR and sustainability are increasingly promoted as sources for competitive advantage and value creation.

Corporate Social Responsibility

There is no single commonly accepted definition of corporate social responsibility. CSR is an umbrella term including numerous different concepts such as corporate social performance, corporate sustainability, corporate citizenship, triple bottom line and socially responsible behavior (Perrini, 2006). Most importantly, CSR is characterized as a voluntary approach for assuming responsibility in society and environment. The component of sustainable development is an integral part of the concept. In fact, the association is so strong in large companies that CSR reporting is often referred to as sustainability reporting (Panwar & Hansen, 2008).

Presently, the most common and widely used illustration of CSR is in Carroll's four components model (Figure 1). This presents a hierarchy of corporate social responsibility. Closely resembling Maslow's hierarchy of needs, it has been adapted to companies rather than individuals. At the most basic level, companies need to be profitable in order to survive. This is the economic responsibility of the company. The next level is to obey the law, which is referred to as legal responsibility. These two are somewhat overlapping, since in the modern society the companies must obey the law to stay in existence. When these two basic responsibilities have been fulfilled, companies then face ethical responsibilities and subsequently philanthropic responsibilities (Carroll, 1979; Carroll, 1991). The modern concept of corporate social responsibility includes all of these aspects and emphasizes the voluntariness of the latter two (Table 2, page 12). That said, there can be profit without CSR and *vice versa*, but the aim should be to combine these two aspects.



Figure 1. Carroll's four components model of corporate social performance (Carroll, 1979; Carroll, 1991).

Recently CSR has become a popular concept to be used in corporations' annual reports and marketing. The term is widely used, but the actual meaning remains somewhat vague. CSR can be defined in different ways depending on context and geographic area. Furthermore the definitions vary between individuals and could mean different things for different people (Moser, 1986). The definition is still evolving. The earliest modern definition of CSR appears from Bowen (1953, p. 6), who defined CSR in his book *Social Responsibility of Businessmen* as

“Obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.”

In a September 1970 *New York Times* article, the economist Milton Friedman declared that

"There is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

Friedman separated corporations from individuals by claiming that only an individual has responsibilities that can be recognized or assumed voluntarily. Accordingly, corporations existed only to be profitable and give financial returns to owners and shareholders. It was up to individuals to decide whether to work towards the common good with their own time and money. Friedman's approach to CSR faced increasing critique during the decades after its publication, most notably from Thomas Mulligan (1986), who argued that his (Friedman's) view of CSR as unfair and socialist practice was poorly rationalized and that the reasoning behind it was illogical. Fortunately, the definition and meaning of corporate social responsibility has been broadened. According to the World Business Council for Sustainable Development (2012) CSR may be defined as

“The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life”.

Table 2 on the next page contains several additional commonly used definitions.

Table 2. Different definitions of corporate social responsibility (Perrini, 2006).

European Commission
<p>“A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment” and “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”</p>
The Prince of Wales International Business Leaders Forum
<p>“CSR means open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders.”</p>
Business for Social Responsibility (BSR), a U.S.-based global business organization
<p>CSR means “operating a business enterprise in a manner that consistently meets or exceeds the ethical, legal, commercial, and public expectations society has of business” .</p>
UN Global Compact (http://www.unglobalcompact.org)
<p>“Through the power of collective action, the Global Compact seeks to advance responsible Corporate Conduct so that business can be a part of the solution to the challenges of globalization. In this way, the private sector – in partnership with other social actors – can help realize the Secretary-General’s vision: a more sustainable and inclusive global economy.”</p>
The G8 Evian Summit 2003
<p>“Consistent with the outcomes of the World Summit on Sustainable Development, we support voluntary efforts to enhance corporate social and environmental responsibility. We will work with all interested countries on initiatives that support sustainable economic growth, including the creation of an environment in which business can act responsibly. We also welcome voluntary initiatives by companies that promote corporate social and environmental responsibility, such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact principles consistent with their economic interest. We encourage companies to work with other parties to complement and foster the implementation of existing instruments, such as the OECD Guidelines and the ILO 1998 Declaration on Fundamental Principles and Rights at Work.”</p>

Generally, in the modern corporate world the term CSR is often described as corporate citizenship and sustainability. Each of these definitions, although phrased differently, refers to five distinct dimensions identified by Alex Dahlsrud (2008) in the analysis of 37 different CSR definitions:

- Stakeholder dimension,
- Social dimension,
- Economic dimension,
- Voluntariness dimension and
- Environmental dimension.

Unfortunately, these definitions are better at describing the actual phenomenon than addressing the challenges in implementation and management. The challenge is not so much *what* corporate social responsibility is, but rather *how* businesses should address it (Dahlsrud, 2008). This thesis contributes to this particular problem by mapping the practices implemented and examining the perceptions of company representatives.

Standardization of corporate social responsibility and sustainability reporting is an issue that has gained considerable research attention, mostly because it could provide direct guidelines and standardized ways to report what companies are actually doing in relation to CSR and sustainability. The most important standardization effort in this area is Global Reporting Initiative (GRI) guidelines. The GRI framework aims to support evaluation of social and environmental performance of the companies. According to GRI, reporting can be divided into economic, environmental and social sustainability dimensions. Furthermore companies' practices could be classified into specific indicators under these dimensions (Toppinen &

Korhonen-Kurki, 2013). These GRI reporting guidelines are mainly used by large companies, although due to the flexibility of the reporting system, they are applicable also in SMEs. In this study, practices were scrutinized according to the GRI guidelines by categorizing them into the economic, environmental and social dimensions to increase the awareness of different practices within small and medium-enterprises².

Corporate Social Responsibility in the Forest Sector

The expectations that society has for businesses differ by geographical location and culture and also by industry sector (Vidal & Kozak, 2008). Forests are often an integral part of local identity and they provide different types of services to various stakeholders, not just industry actors. The nature of operations in the forest sector is extractive, so the demands for social and environmental responsibility are greater. The industry also operates under more intense public scrutiny than many other sectors because people tend to have emotional relationships with forests (Panwar & Hansen, 2008).

² For further information on GRI see <http://www.globalreporting.org> or research on GRI see: Morhardt, Baird, & Freeman, 2002 and Toppinen, Li, Tuppur, & Xiong, 2011.).

Forest certification is identified as the most common means of demonstrating corporate social responsibility in the forest sector (Toppinen *et al.*, 2013). Certification can be divided into forest certification, which is focused on forestland itself and chain-of-custody certification that covers the whole supply chain from the forest to the end-user. The most common international certification schemes are FSC (Forest Stewardship Council) and PEFC (Program for Endorsement of Forest Certification). In North America, the PEFC-scheme is identical to SFI (Sustainable Forestry Initiative). Different forest certification programs try to take into account economic, environmental and social aspects of forestry and wood products.

Even though forest certification is the best-known effort to demonstrate CSR and sustainability in the forest sector, it is by no means the only way. Besides forest certification, different standards have been developed to make it possible to measure and quantify the implementation of CSR. Most important of these is ISO 26000 guidance for social responsibility (Hahn, 2012). A research project at Oregon State University recently used an “issues management approach” to develop a set of CSR concerns that forest product companies in the U.S. must address in order to be socially responsible (Panwar, 2009). See Table 3 for the list of different issues.

Table 3. Issues for socially responsible forest products company operating in the United States identified through issues management process (Panwar, 2009).

Social Issues	Environmental Issues
<ul style="list-style-type: none"> • Encourage public scrutiny of environmental and land management practices • Invest in surrounding communities • Promote responsible consumption among consumers • Stem declining employment in the sector • Engage with surrounding communities • Improve industry’s public image 	<ul style="list-style-type: none"> • Promote sustainable forestry practices • Increase the use of renewable resources • Adopt environmentally sound purchasing policies • Mitigate global warming • Reduce overall energy consumption • Improve waste management

According to Panwar and Hansen (2008),”a locally focused approach can help CSR become a legitimate tool for helping business define its role in society”. This is especially important for SMEs because they are often an integral part of local communities. SMEs usually demonstrate CSR locally rather than globally. In fact, results from a set of interviews conducted by Panwar and Hansen show that companies do indeed view themselves as important part of their community. It was recognized that forest products companies willing to embrace CSR and sustainability issues have a wide choice of approaches, but that the variety of approaches could be confusing for SMEs with limited resources. Authors describe multiple different approaches for CSR, such as stakeholder management (focusing on affected groups), corporate social performance (focusing on outcomes) and issues management (focusing on problems).

Furthermore Toppinen *et al.* (2013) have identified drivers and key processes of CSR and their importance for forest industry (Table 4). These drivers and key processes emphasize the special characteristics of the forest industry. Sensitivity to public perception in this industry sector is high, since people tend to have emotional connection to the forests and it is important to retain public acceptability of the operations. This is especially important for large corporations that operate in global level. On the other hand, sensitivity to local stakeholders is listed as having medium importance, but it could be higher for SMEs, that are operating and demonstrating CSR at more local level.

Table 4. Drivers and key processes of CSR and their importance in forest industry (Toppinen *et al.* 2013).

Driver	Key company or industry process involved	Importance in the forest industry context?
Sensitivity to public perceptions	Tool for reputation management, active reshaping of market conditions, prevention of negative media visibility	High (especially for multi-national corporations)
Cost-benefit ratio	Standards, certification (ISO 14001, GRI, SA8000, ISO26000 etc.)	Medium
External control	Tool for risk management	Medium
Sensitivity to local stakeholders	Tool for reputation management, achieving license to operate, prevention of conflicts	Medium
Geographic spread	Industry internationalization	Medium, increasing
Internal control	Tool for risk management, resource and capability development	Low to Medium
Anticipating future regulation	Tool for reputation management, overcoming less active competitors	Low to Medium
Following industry forerunners	Industry isomorphism, conformity with competitors	Low to Medium

Corporate Social Responsibility in Small and Medium-sized Enterprises (SMEs)

Corporate social responsibility in SMEs is a subject that has not gained much research attention until very recently, despite their large representation among total businesses. As defined for this study, SMEs have fewer than 500 employees; they are still quite heterogeneous in terms of company characteristics. Thus a company with less than 10

employees may have very different resources and organizational culture compared to a company that employs close to 500 people.

There are numerous characteristics that make small and medium-sized companies distinct from their larger counterparts; these influence the adoption and perceptions of CSR and sustainability. According to Spence (1999), common organizational characteristics for SMEs that differentiate them include

1. informal and not very clear roles between management and ownership (i.e., owners are often also acting as managers in these companies);
2. overlapping and numerous tasks for employees;³
3. relatively informal culture and workplace relationships.

SMEs are frequently more oriented towards solving day-to-day problems as they arise; opportunities to develop long-term strategies are not as easily identified as in large corporations (Spence, 1999). That said also the drivers behind the CSR and sustainability practices are different in SMEs than their large counterparts. According to the author the most significant drivers for CSR and sustainability in the SMEs are the values of the manager

³ As one of the interviewees put it “in small and medium-sized company everyone is required to wear many hats”.

and owner. Owner's and manager's personal values and moral preferences determine their willingness to implement and push CSR and sustainability in the company (Hsu & Cheng, 2012). Also educational level of manager or owner influences the willingness to implement CSR and sustainability, influence being greatest with graduate level degrees. Furthermore the annual revenue is positively associated with CSR and sustainability efforts.

There are several European studies on the implementation of CSR in SMEs, (see: Castka, Balzarova, Bamber, & Sharp, 2004; Nielsen & Thomsen, 2009; Perrini, 2006). However, no published studies of U.S.-based SMEs and CSR were identified during the literature review for this study. The applicability of CSR for SMEs has been widely debated. It has been claimed that SMEs are not just small versions of larger corporations and need to have a different kind of approach into CSR (Kechiche & Soparnot, 2012). So far the academic literature and promotion of CSR by different advocacy agencies has been concentrating on formal aspects of CSR and sustainability such as reporting or official programs for companies. These might be suitable for large corporations, but for small and medium-sized companies, formal programs and reporting requirements might just create an extra burden - thus making CSR harder to implement (Fassin, 2008). SME's often face the problem of concentrating their scarce resources as efficiently as possible, which undermines the importance of CSR and sustainability research in this field, because by gaining more knowledge about the issues the implementation could be more effective.

The Business Case for Corporate Social Responsibility

As opposed to the neoliberal view of a company's purpose to maximize the profits by minimizing the costs, the business case for CSR builds around the achieved long-term shareholder and owner benefits that will be accumulated when the firm becomes more attractive to its wider group of stakeholders (Williamson et al., 2006). This does not mean that cost savings would not benefit the company, but instead recognizes that the firm should use all available strategic resources to gain sustainable competitive advantage. These resources can be described as valuable, rare, in-imitable (difficult to imitate) and non-substitutable (VRIN), which will be discussed further in theoretical framework section.

The business case for corporate social responsibility has been an increasingly important aspect of current research. This is especially important in the case of SMEs where the managers might have hard time justifying different CSR and sustainability practices if no immediate business benefits were perceived. On the other hand Marja-Leena Lantta (2010) concludes, in her master's thesis about Finnish SMEs, that companies often practice CSR without purposefully articulating it. In her research she interviewed nine line managers of Finnish sawmills and concluded that the respondents did not really perceive CSR as a competitive advantage for the company. It is also often unclear for the managers whether it really pays off to practice CSR or sustainability in the company (Lantta, 2010). According to a study conducted by Williamson *et al.* (2006), improved business performance and anticipated increase in revenue are the most important drivers for environmental behavior for SMEs whenever there is a business case backing them. This means that the companies are

engaging in CSR and sustainability activities if they think they can improve their revenue or overall business performance by doing so. On the other hand, if the companies did not perceive any business or cost-saving opportunities by engaging in CSR or sustainability activities, then government regulations are the driving force.

It has also been experimentally shown that the rising awareness of CSR or sustainable practices of the companies could lead to a more positive view of the company's product by consumers (Brown & Dacin, 1997). However, to make the most out of CSR and sustainability as a tool for market differentiation, consumers and stakeholders need to be made aware of the company's CSR and sustainability practices and contributions (Dolnicar & Pomeroy, 2007). This means that companies need to identify and articulate what they are actually doing and how they could further improve the CSR and sustainability practices and communication in order to fully exploit these issues in their marketing and stakeholder relations.

Possible business benefits from CSR could be divided into monetary and non-monetary benefits (Figure 2). In terms of the outcomes reflecting the competitiveness of companies, according to Weber (2008) there are five main business benefits from CSR:

1. Positive effects on company image and reputation
2. Positive effects on employee motivation
3. Cost savings – for example through efficiency gains
4. Revenue increases from higher sales and market share
5. CSR-related risk reduction or management

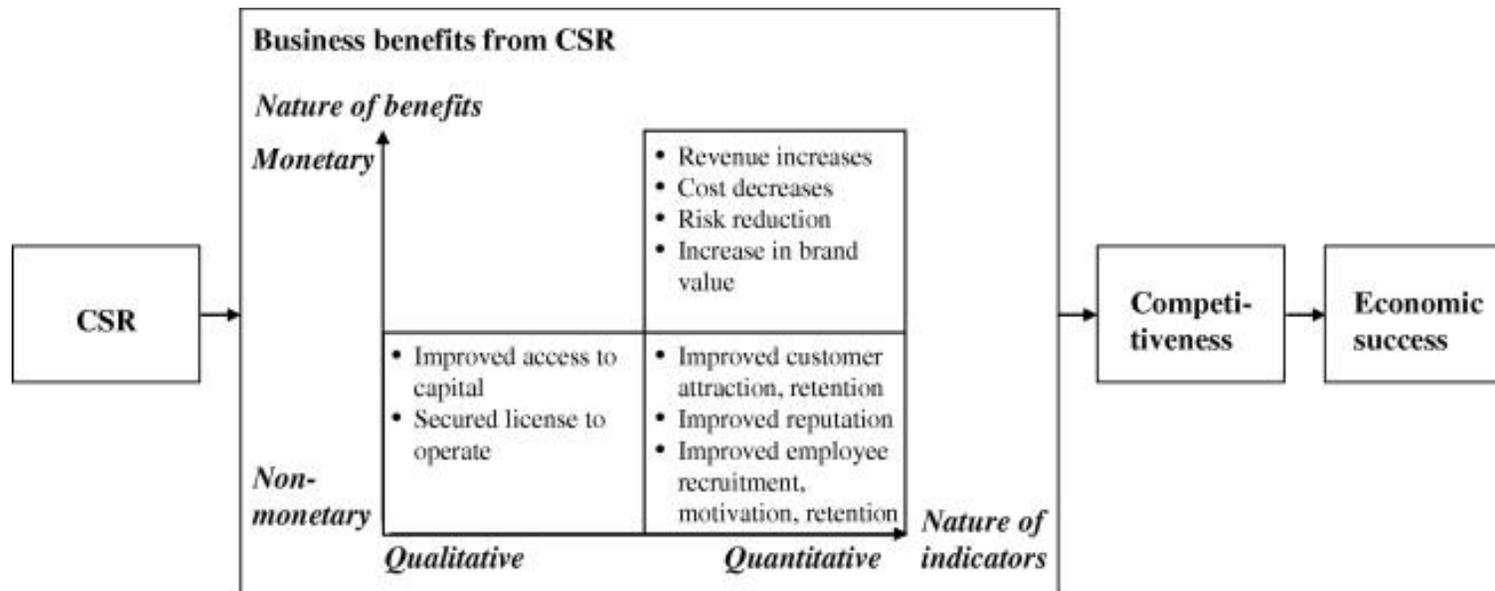


Figure 2. Business benefits from CSR (Weber, 2008).

THEORETICAL FRAMEWORK

The most widely used theoretical frameworks for analyzing the implementation of corporate social responsibility and sustainability are stakeholder theory and resource-based view theory (Perrini, 2006). In addition, theory of social capital has been suggested suitable for SMEs (Russo and Perrini 2010). These three frameworks are reviewed below, with an emphasis on those aspects relevant to the empirical research and conclusions drawn from that research. The application of these different management theories for SMEs has not been widely researched however, but there are some studies concentrating on that part (Bonneveux, Calmé, & Soparnot, 2012).

Stakeholder Theory

Stakeholder theory was originally described by R.E. Freeman (1984). A modern definition suggests “that the purpose of business is to maximize the value for all stakeholders, not just shareholders” (2013). Paying attention to stakeholders will eventually maximize profits for the shareholders. The implementation of stakeholder theory emphasizes innovations to keep different interests aligned as opposed to just aiming for the short term profits that might be possible at the expense of one specific stakeholder. Donaldson and Preston (1995) argue that the theory’s descriptive accuracy, instrumental power and normative validity provide justification of stakeholder theory as a management tool. Under stakeholder theory, CSR

would help to maximize profits, attract skilled employees, and strengthen corporate reputation and brand value.

For the purposes of this study, stakeholders include, but are not limited to,

- owners,
- customers,
- employees,
- local community
- non-governmental organizations and
- others identified by specific respondents

Resource-Based View Theory

Resource-based view theory (RBV theory) is used to explain, how the usage of internal resources and the capability to employ them in business processes enhance the competitiveness of a company (see: Barney, 1991; Penrose, 1995; Barney, Ketchen & Wright 2011). In the RBV, resources are divided into tangible and intangible factors of production. Examples of tangible resources in the forest products industry would be wood raw material or machines; examples of intangible resources include assets such as reputation, technology and human resources (Lähtinen, 2007). Despite being classified as intangible some of these resources could also be quantified and measured (see Figure 2, page 24).

In the RBV, companies benefit from resources that are classified as Valuable, Rare, In-imitable or Non-substitutable (VRIN-resources). When product differentiation is insufficient, companies may focus on use of intangible resources as a source of sustained competitive

advantage for the company (Barney, 1991). This is especially true in the developed countries where companies find it hard to compete with low-cost producers of emerging economies. Thus, a firm's success is largely driven by strategic resources that have special characteristics or that are hard to imitate (Galbreath, 2005). For example, in the Finnish woodworking SMEs capability to employ intangible resources has been found to have a positive impact on companies' competitiveness in the 2000s (Lähtinen, 2009). Implementation of CSR and sustainability practices could act as strategic assets for the company through the reputation and stakeholder benefits they create (Branco & Rodrigues, 2006). RBV approach is a significant contributor to a proper understanding of CSR as a strategic asset in SMEs and also explaining why these companies choose to implement it, if they do (Bonneveux et al., 2012).

Theory of Social Capital

According to Putnam (2000) the social capital refers to “connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them”. In line with stakeholder theory and the RBV of the firm, the theory of social capital emphasizes the importance of social networks that SMEs create in their everyday operations. These unique networks could be used to gain competitive advantages (Perrini & Minoja, 2008). Social capital is considered as an intangible resource for the company; it includes aspects such as reputation, trust, legitimacy, consensus, co-operation between companies, and trust that is needed to perform business activities within the supply chain (Toppinen, Lähtinen,

Leskinen, & Österman, 2011). Perrini (2006) suggests that the theory of social capital is more fitting to the situation of CSR in SMEs than stakeholder theory, which describes the situation better for large corporations. Social capital provides the basis for CSR practices and long-term performance of SMEs, especially when they are closely connected to the local community, which is often the case. Table 5 provides some examples of social capital that can be used in different production functions.

Table 5. Examples of Social Capital used in the different production functions of medium-sized Sawmills (Toppinen *et al.* 2011).

	Social capital used in co-operation	Benefits for business activities achieved via co-operation	Importance of co-operation in searching for competitive advantage
Raw Material Procurement:	Mutual trust between sawmills and forest contractors/private forest owners developed in the course of time based on good quality of work.	Opportunity to outsource wood acquirement to contractors. Opportunity to support a good reputation by providing regeneration services for forest owners.	Opportunity to lower the raw material acquirement costs as a result of no need to invest in logging machinery.
Production Technologies:	Good interpersonal relationships and mutual expertise that have created grounds for mutual trust.	Reaching professional know-how enabling good availability of maintenance services as well as production planning and design.	Capability of developing processes to enhance flexibility and reliability of operations and increase customer value.
Marketing:	Long-term relationships between sawmills and sales agents with large customer networks.	Opportunity to meet large existing customer base, achieving good sales results and expanding business.	Long-term benefits based on the ability to serve customers efficiently and quickly.

DATA & METHODS

The nature of this study is exploratory, since there is no prior research in North Carolina about the practices and perceptions of CSR and sustainability within the local forest sector, and more specifically among SMEs. The empirical research of this study consists of two parts. The first part is a content analysis of 22 internet sites of forest products SMEs in North Carolina. The aim of this first part is to determine what kind of CSR and sustainability-related communication or programs SMEs have, if any. The second part is an analysis of 12 semi-structured themed interviews of local SME representatives. The purpose of this part is to gain a deeper knowledge of the practices and perceptions of CSR by analyzing first-hand accounts from the people working in the companies. By joining these two methods it is possible to understand SMEs from exterior and interior perspectives. These two data sets were intentionally separated during the research process, but in the end some conclusions of their relation and differences could be drawn. This is also important part of the process since it increases the validity and reliability of the study.

The Population of the Study

The initial sample of companies was identified through the North Carolina Department of Commerce AccessNC database (<http://accessnc.commerce.state.nc.us/EDIS/page1.html>) using industry specific NAICS⁴ codes (321, 3211, 3212, 322, 3221, and 3222) and also through a list of wood buyers in North Carolina supplied by the NC Forest Service. Subjects were also recruited from among forest products companies known to the research committee. The defining criteria for the selection of companies were fewer than 500 employees and legal base in North Carolina. The initial sample included 132 companies. Research into articles of incorporation and actual employee numbers narrowed the sample to 118 companies. The final sample used in content analysis and for the interviews thus included 118 North Carolina based forest products companies with fewer than 500 employees.

Coding Data by the use of *Ethnograph* -software

The empirical data analysis was conducted using *Ethnograph version 6*.software. In this software, transcribed text-based data is broken down into lines of text (32 characters), which comprise the smallest possible unit of analysis. The text is classified into different parts by

⁴ North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. More information available at <http://www.census.gov/eos/www/naics/>

creating a coding system that captures the substance of the specific part of the text. In the coding process the first task is to create a set of codes -- the codebook. The purpose of the coding is to organize the text into smaller thematic sections and thus make it more manageable. Codes and codebook organization were derived from the literature review and from the research questions.

In the coding process, the text is broken into coded segments and classified into similar parts relevant to the study. These coded parts are then separated from the original text and analyzed together (Seidel, 1998). This procedure makes it possible to combine the answers of the respondents or the substance of the web pages together and analyze them in aggregated themes. This also guarantees the anonymity of the individual respondent because the responses are analyzed separately from the original interview (Auerbach & Silverstein, 2003).

Content Analysis - Methods & Description of Data

Content analysis is a method commonly used in the social sciences to study recorded or written human communication. Such communication used by businesses could include press statements, marketing brochures, annual statements, financial statements or websites (Babbie, 2013). Research questions in a content analysis usually address what, to whom, why, how, and with what effect? Content analysis has been widely used in corporate social

responsibility and sustainability research. Sources included have been annual reports of different companies and their websites (Vidal & Kozak, 2008).

The basic component of content analysis is the coding of the data. This is the process where raw data (text in the websites) is transformed into a standard form that could be analyzed.

The text is divided into smaller units of analysis and these units are coded and then classified according to the pre-determined theoretical framework. Coding of the content could be done by either coding the manifest content or latent content of the data. In the manifest content the unit of analysis is a word or phrase. The example would be to count the number of times the words “corporate social responsibility” are mentioned in the respondent data and thus determine the importance value of the concept. Alternatively, the latent content of the data focuses on the underlying meaning of the communication. In this approach, the unit of analysis is larger, for example a sentence or a full paragraph. This method provides a deeper approach to the data since it includes the context in the analysis (Babbie, 2013). For the most accurate and reliable interpretation of the content analysis data, both manifest and latent content were analyzed.

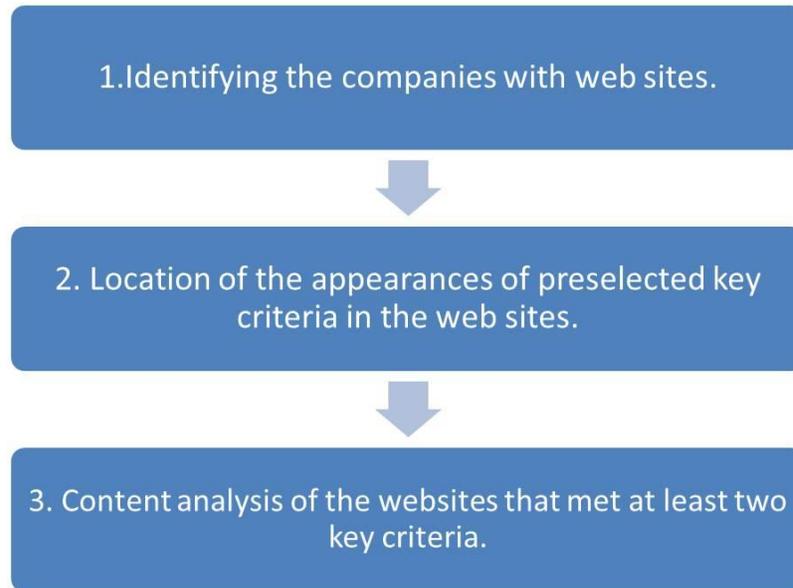


Figure 3. The content analysis process.

The content analysis was conducted in three phases (Figure 3). First, the companies with internet sites were identified and selected from the sample. The total number of companies in the sample was 118 and 61 of those companies (52%) had websites. Second, the initial analysis of these 61 websites involved locating appearances of seven preselected key criteria:

- reputation,
- green image,
- CSR,
- sustainability,
- environment,
- forest certification
- other eco-label

These seven criteria were selected so that it would be possible to analyze the CSR and sustainability issues from the perspective of the whole value chain. Figure 3 below describes the simplified value chain of the forest products company.



Figure 4. The value chain of the forest products company (Porter, 1985).

Furthermore Table 6 below demonstrates the key criteria of CSR and sustainability in relation to that value chain. In this table these different aspects have been identified as tangible or intangible resources according to the resource-based view theory. As can be seen from the table, CSR and sustainability are present throughout the whole value chain and thus provide important link between the different stages. All of the aspects are also important for the marketing and branding of the end products.

Table 6. Content Analysis Criteria in Relation to Porter’s Value Chain.

	<i>Tangible</i>	<i>Intangible/Tangible</i>	<i>Intangible</i>
	RAW MATERIAL	PROCESSING	MARKETING
Forest Certification:	X		X
Green image:			X
CSR:	X	X	X
Environment:	X	X	X
Other Eco-label:		X	X
Reputation:	X	X	X
Sustainability:	X	X	X

Table 7. Mention of key indicators in sampled websites (N=61)

	Reputation	Green Image	CSR	Sustainability	Environment	Certification	Eco-label
Count	14	10	4	18	21	12	13
% of total	23.0%	16.4%	6.6%	29.5%	34.4%	19.7%	21.3%

The websites that contained at least two of these key criteria were selected for further in-depth content analysis using *Ethnograph* software (phase three). In total twenty-two companies (37% of companies with websites, and 18.5% of the original sample of 118 companies) mentioned at least two of the key criteria, and were thus included in the in-depth analysis. It is important to note that the amount of information included in the company web pages varied significantly.

Table 8. Characteristics of companies subject to content analysis, grouped by the number of employees.

Employee range	Main Products	Stage	Established	ID#
1-4	Reclaimed wood products	Secondary	2011-	#CA3
1-4	Log homes	Secondary	2011-	#CA6
1-4	Hardwood Lumber	Primary	1971-1980	#CA19
5-9	Building Materials	Secondary	1931-1940	#CA15
10-19	Exotic and domestic hardwoods	Secondary	2001-2010	#CA1
10-19	Hardwood chips	Primary	1991-2000	#CA20
20-49	Hardwood Lumber	Primary	1931-1940	#CA8
20-49	Pressure treated lumber	Secondary	2001-2010	#CA11
20-49	Packaging Wrap	Secondary	1991-2000	#CA12
20-49	Southern Yellow Pine Lumber	Primary	1921-1930	#CA13
20-49	Building Materials	Secondary	1941-1950	#CA18
50-99	Corrugated Boxes	Secondary	1991-2000	#CA2
50-99	Hardwood lumber & Veneer logs	Primary	1951-1960	#CA14
50-99	Toilet paper tissue	Secondary	1971-1980	#CA21
100-249	Pressure sensitive labels	Secondary	1981-1990	#CA4
100-249	Corrugated containers	Secondary	1961-1970	#CA5
100-249	Corrugated boxes	Secondary	1981-1990	#CA7
100-249	Composite decking	Secondary	2001-2010	#CA10
100-249	Recycled Paper	Secondary	1981-1990	#CA16
100-249	Hardwood and Softwood Lumber	Primary	1941-1950	#CA22
250-499	Pallets, Kiln Dried Lumber, Chips	Primary	1961-1970	#CA9
250-499	Softwood Lumber	Primary	1931-1940	#CA17

Table 8 above illustrates some basic characteristics of these 22 companies chosen for in-depth content analysis. Only about 10% were recently established (after 2000); nearly 50% were established before 1990. 36% were primary and 64% were secondary⁵ wood products manufacturers. 50% had fewer than 100 employees, and only two companies had more than 250 employees. As can be seen, these companies are very diverse groups with different characteristics (Table 8). Because some of the companies were eliminated from the final analysis there is a possibility of a bias towards companies that are more interested in CSR and sustainability issues. On the other hand, since the objective was to find out what kind of CSR communication is practiced among the SMEs in North Carolina and how the CSR is being used, a selective sample is assumed to yield empirically more meaningful results to be employed in other companies interested in these issues.

To simplify the in-depth analysis for round two, the number of criteria was reduced to four. The latent content of the 22 websites was analyzed in more detail, according to these four content criteria: corporate social responsibility (CSR), certification, green-image and sustainability. Reputation was subsumed into CSR, environment into sustainability, and eco-labels into certification. The websites were analyzed to see what kind of information they

⁵ Primary producers: Processors of raw wood, e.g., sawmills. Secondary producers: Manufacturers of value-added materials, e.g. paper or corrugated boxes.

provided that could be classified and characterized within the four categories, and the focus was on the underlying meaning of the paragraphs rather than counts of individual words.

Interviews - Methods & Description of Data

Themed semi-structured interviews are the most common qualitative data collection method in social and business economics sciences (Gray, 2004). Rather than giving answers to questions like what, where or when, qualitative research is trying to answer questions like why and how. Since corporate social responsibility is a highly abstract concept, it is important to gain deeper understanding of the companies' own perceptions of it. In turn, such discussion can deepen respondents' own understanding of the phenomena. Qualitative in-depth interviewing can also capture the different nuances and specific viewpoints of the respondents (Miles, 1994).

The use of open-ended questions can potentially yield more detailed and deeper answers than a survey. Because there is very little research on corporate social responsibility in North Carolina's forest sector, it would be fruitless to conduct a meaningful survey, since specific CSR terminology might be unfamiliar to respondents and require too much clarification. To acquire the best possible picture, by taking into consideration different knowledge levels of the respondents and significance of their opinions, interaction is required between the researcher and the respondents. This is best achieved through themed interviews (Hirsjärvi & Hurme, 2008).

Interviews with SMEs were conducted in spring 2013, using semi-structured open-ended interviews of corporate officers and managers in North Carolina forest products firms. Companies in the original sample were contacted initially by letter (Appendix A), containing a description of the research, an outline of the question topics, and a copy of the required informed consent letter (Appendix B). The initial mailing included all the 118 companies. Nineteen letters were returned (addressee unknown), leaving the number of potential subjects at 99. These companies were then contacted by telephone. Although the goal for data collection was 15 to 20 interviews, only 12 interviews were completed. Ten of the interviews were conducted by telephone, in conversations lasting between eight and 35 minutes. Two of the respondents preferred to answer the questions by e-mail. Telephoned interviews were recorded with the respondent's permission and then transcribed. The transcripts were compared twice with the recordings to ensure accuracy.

The interview questions (Appendix C) were designed to obtain basic information about each company and data clustered around four themes:

1. Raw material procurement
2. Stakeholder impact
3. Sustainability
4. Corporate social responsibility

The first two categories were intended to inform company context; analysis focused primarily on sustainability and CSR.

The response rate for the study was 12.1%, which is in line with response rates that other studies in similar fields have been able to acquire (see for example Cassells & Lewis, 2011). Furthermore it has been acknowledged by earlier research that low rates of participations within SME owner-managers are common (Gadenne, Kennedy, & McKeiver, 2009; Macpherson & Wilson, 2003). 24.2% of the contacted subjects declined for the interview and 63.6% could not be reached. This meant that either the companies could not identify any person to take part in the interview or phone contacts failed. The final response rate reflects the difficulties in reaching the appropriate company representatives. None of the companies had a specific person specializing in CSR or sustainability issues like large corporations do, which meant that the person participating in the study had to devote time outside of his main responsibilities to answer the questions. Despite the problems in reaching prospective respondents, the interviews offered valuable information about the CSR in North Carolina SMEs. It is important to remember, however, that people willing to take part in the interviews were most likely more interested in sustainability and corporate social responsibility issues than average, since they were willing to devote time for the interviews and this could potentially be a cause of bias for the results towards more positive orientation of CSR and sustainability.

Interviewees included four company presidents, one chief executive, three procurement managers, one operations manager, one CFO who was accompanied by the safety manager and one internal sales analyst. The size of the companies ranged from 10 to 451 employees (Table 9).

Table 9. The respondent titles grouped by the number of employees.

Position of the respondent	Number of employees
Administrative Assistant	10
Operations Manager	16
President	30
Internal Sales Analyst	40
President	42
Procurement Manager	45
Chief Executive	75
President	77
Procurement Manager	95
Procurement Manager	135
CFO & Safety Manager	200
President	451

The majority of the interviewed companies employed fewer than 100 people (nine of the companies). Only three interviewed companies employed more than 100 people. Five of the companies said that they have export operations. Half of the companies (six) were producers of primary wood products and other half were producers of secondary wood products. The companies in the study were mainly family owned, only two of them being investor owned. Table 10 describes general company characteristics.

Table 10. Company characteristics, sorted by primary and secondary product lines.

Established	Main products	Market area	Family owned	Stage of Production
1911-1920	Dimension lumber & timber	Domestic (NC-NY)	Yes	Primary
1961-1970	Hardwood & Pine Lumber	Domestic / Export	No	Primary
1951-1960	Hardwood Lumber	Western NC	Yes	Primary
1951-1960	Hardwood Lumber	Domestic / Export	Yes	Primary
1941-1950	Southern Yellow Pine Lumber	Domestic / Export	Yes	Primary
1931-1940	Southern Yellow Pine Lumber	Domestic	Yes	Primary
1961-1970	Corrugated Boxes	Domestic (NC-SC)	No	Secondary
2001-2010	Flooring & Paneling	Domestic (D.C-FL)	Yes	Secondary
1921-1930	Hardwood veneer boards	Domestic/Export	Yes	Secondary
1991-2000	Packaging paper	Domestic / Export	Yes	Secondary
1981-1990	Pallets and Wooden Crates	North Carolina	Yes	Secondary
1951-1960	Tool Handles	Domestic	Yes	Secondary

Validity and Reliability

CSR and sustainability issues are often case-specific and differ greatly between companies. This means that overall generalizations should be avoided. The values of individuals working in a company have an effect on how CSR is perceived, especially for SMEs, where there is often a more personal connection between owners, managers, and employees.

Qualitative data collection methods were chosen for this study because they yield richer information about the phenomena than quantitative data analysis. CSR and sustainability in SMEs are case-specific concepts and thus it is important to find out how companies actually perceive these issues. In addition, according to Lahntinen (2009), in the context of the RBV, qualitative research methods and survey data are more appropriate for evaluating the role of heterogeneous internal resources and capabilities in companies' businesses than, for example, industrial-level statistics and quantitative methods.

Qualitative analysis has sometimes been criticized because of potential researcher subjectivity and relatively limited amounts of data, resulting in difficulties of generalization (Gray, 2004). Some researchers believe that data gained by qualitative methods should only be presented *verbatim* and not analyzed at all. In this case, the data would be just descriptive and free of possible subjective interpretations by the researcher (Strauss, 1998). To address these concerns, qualitative analysis methods should be rigorous and logical. The chain of evidence and analysis should be consistent and documented through the research process.

Despite all possible safeguards, it may remain difficult to generalize from a single-case qualitative analysis. The impact of these two sources of bias has been minimized by presenting as much of the data as possible and practical straight to the reader so that they could make their own conclusions in addition to the analysis conducted by the investigator.

For this study, multiple methods and different theories are combined to strengthen and validate the results. Use of the two different methods -- content analysis and in-depth interviews -- to analyze the phenomenon leads to a better understanding of the issue at hand and increases validity and reliability. By combining multiple theories, methods, and empirical materials, researchers can attempt to overcome the weakness or biases and the problems that arise from single-method and single-theory studies (Rothbauer, 2008). In this study, multiple methods and different theories are combined to make the results as accurate and valid as possible.

RESULTS

Content Analysis of Company Websites

The aim of the content analysis research was to find out how the companies communicate and advertise their CSR and sustainability practices to the wider group of stakeholders and general population. Ethnograph software was used for the analysis and the frequency counts for each analysis criterion could be seen in the Table 11. The most frequently mentioned criterion was sustainability (48.6%), followed by CSR (19.8%) and certification (18.6%). Green image was mentioned least (13.0%). Green image included all the content that described the green image of the company or product. In total the different criteria were mentioned 253 times (between two and 36 times per site), but 50% of the observations came from only six websites (27%). This indicates that the criteria are not well articulated among the companies examined. In fact, because most of the websites examined had relatively little information, it is not surprising that CSR and sustainability were infrequently mentioned. It may be that the companies do not currently perceive the internet as their most important channel for information and communication with stakeholders.

Table 11. Frequency counts of four main criteria, grouped by the total number of mentions in the websites.

CSR	Sustainability	Green image	Certification	Totals	Files
					Respondent #:
1	0	0	1	2	CA13
1	0	0	1	2	CA18
0	1	1	1	3	CA8
1	3	0	0	4	CA1
2	2	0	0	4	CA17
2	2	1	0	5	CA4
2	2	0	2	6	CA22
0	4	1	2	7	CA6
2	1	0	4	7	CA11
0	4	2	2	8	CA3
7	2	0	0	9	CA2
0	5	4	1	10	CA14
2	9	0	0	11	CA10
1	9	2	0	12	CA19
2	9	1	0	12	CA20
0	12	0	1	13	CA5
5	10	1	0	16	CA9
8	4	0	4	16	CA16
1	5	5	7	18	CA7
6	16	0	0	22	CA21
2	15	7	6	30	CA12
5	8	8	15	36	CA15
Totals:	50	123	33	47	253
	19.8%	48.6%	13.0%	18.6%	

Table 12 describes the proportion of sustainability and CSR-related content on the websites.

The length of the websites was measured in Ethnograph lines (32 characters). The average sustainability and CSR content in the websites was 34.2%, varying between 4.8% and 95.8%.

This describes the differences between the emphasis on sustainability and CSR communication, which is quite wide.

Table 12. Proportion of sustainability and CSR content per website

Length of Website (Lines)	Sustainability / CSR Content (Lines)	Sustainability/CSR -Content Ratio
578	28	4.8 %
124	6	4.8 %
70	6	8.6 %
237	23	9.7 %
418	47	11.2 %
326	44	13.5 %
324	48	14.8 %
228	43	18.9 %
176	44	25.0 %
220	65	29.5 %
126	39	31.0 %
1046	337	32.2 %
244	83	34.0 %
193	67	34.7 %
174	61	35.1 %
157	65	41.4 %
79	34	43.0 %
266	132	49.6 %
155	102	65.8 %
147	108	73.5 %
286	214	74.8 %
24	23	95.8 %
Average:		34.2 %
Median:		31.6 %

Sustainability

Sustainability was the most frequently mentioned of the criteria, with 48% frequency count of overall codes (see Table 11). Sustainability content that the websites featured included two environmental statements and a sampling of sustainability practices that the companies implemented (mostly centered on preservation and conservation of environment). One of the websites defined sustainability -- as *“a process that can be maintained indefinitely.”* This is a variation on the classical concept of sustained yield in forestry practice. However, the only practice identified on the website was replanting more trees than harvested.

Sustainability practices or practices that promote sustainable development that were included in company websites are presented in Table 13, organized according to the Global Reporting Initiative guidelines (GRI). Recycling was mentioned most frequently, followed by improving the efficiency of production. Environment (as a class of guidelines) was the most important aspect, confirming Panwar and Hansen’s (2008) suggestion that forest products companies emphasize environmental aspects. Furthermore social aspect could be important for marketing and local relations, since CSR in SMEs tends to be locally oriented. Economic aspect, of course being very important for the companies, might not be the most important for the focus group of the websites.

Table 13. Sustainability practices classified by Global Reporting Initiative (GRI) guidelines (GRI, 2011).

Practice	Count	Class
Recovering of the waste from production processes	1	Environmental
Use of the side products for more production	1	Economic
Energy efficiency	1	Economic
Research & Development	1	Social
Local sourcing of raw-materials	2	Social
Replanting more trees than harvesting	2	Environmental
Best Management Practices (BMP)	2	Social
Managing company lands for multiple uses	2	Social
Minimizing waste	2	Environmental
Reforestation	2	Environment
Using state of the art technology	3	Social
More efficient production	6	Economic
Recycling	10	Environmental

Corporate Social Responsibility

Seventeen of the 22 websites provided information on CSR, comprising 19.8% of the coded material. It has been established in the literature that CSR and sustainability are often used synonymously. Thus, many of the practices labeled as sustainability practices by one company were identified as corporate social responsibility practices by other companies. In order to capture the broadest array of practices, in this study the vocabulary distinction was maintained.

Table 14. CSR practices that company websites mentioned, classified by GRI guidelines

Practice	Count	Class
Use of locally-sourced and recycled materials	1	Social
Buying raw materials from responsible sources	1	Social
Land-area donations for conservation	1	Economic
Promoting environmental awareness to customers,	1	Environmental
Assistance for landowners	1	Social
Use of the state-of-the-art equipment	1	N/A
Supporting local charitable organizations	2	Social /Economic
Investing in the local community	2	Social
The promotion of responsibility for environment	4	Environmental
Safety	4	Social

As can be seen from Table 14, most common category in the CSR criterion was social. The websites emphasized safety, environment and locality. Safety included both the production and the use of end-products, but responsibility for environment was not clearly defined. Using latest technology was also mentioned as a responsibility practice but it does not fall under any of the GRI dimensions. This illustrates how difficult and perhaps incomplete the classification of CSR practices is.

Certification

Ten out of 22 companies featured forest certification logos on their websites. Two of the websites provided information about certification, but did not feature or mention any specific certification scheme. Two of the websites featured FSC certification, two sites featured both FSC and SFI, five featured SFI, and one featured local Appalachian Hardwood

Manufacturers (Appalachian Verified Sustainable & Legal, see Figure 3 below) certification. The other 12 companies did not have certification or did not take the opportunity to use a certification logo in their website as marketing tool. As the cost of the local AMHI-certification is less than that for FSC and SFI, obtaining AMHI certification might be a good option for SMEs.



Figure 5. Appalachian Verified Sustainable & Legal (AHMI) Certification

Green Image

Surprisingly few of the websites promoted the green image of the wood. For this part of the analysis green and eco-friendly were treated as synonymous. According to one of the websites, green products could fall under five different categories:

1. Products made with recycled materials
2. Products that conserve natural resources
3. Products that avoid toxic or other emissions
4. Products that save energy or water
5. Products that contribute to a safe, healthy environment

Half of the websites (11) promoted the company's products as eco-friendly or green. One company actually addressed over- or misuse of "greenness" in common language:

"The word green is so often used in the context of environmental responsibility and sustainability, yet it is hard to quantify definitely. The definition of green to environmentalist may be drastically different than that of a manufacturer. The challenge is finding common ground that promotes and rewards environmental responsibility, as well as product design and performance that is balanced with the rigors and challenges of manufacturing products that need to be competitive in marketplace."

An eco-friendly image of wood has often been promoted as a marketing tool for the forest sector, along with CSR and sustainability, and could actually be incorporated into these concepts. It is easy to label products with "green" and eco-friendly stamps, but as noted above, it is also controversial and could be risky for the reputation. This is why it is important that it is backed up by solid evidence as well as CSR and sustainability practices.

Interviews with Company Representatives

The aim of the interviews was to gain more in-depth picture of the practices and perceptions of SMEs. This information complemented the findings of the content analysis and expanded the knowledge of companies CSR and sustainability practices.

First Encounter with the Term "Corporate Social Responsibility"

Only one out of 12 respondents had not heard the term "corporate social responsibility" prior to the interview. Five of the respondents emphasized that CSR is by no means a new concept, but one that has been around for a long time. On the other hand, three of the respondents had only recently learned about the term. Only three of the respondents recalled where they first encountered the term, two at university and one in an industry association meeting, these respondents were the same ones that said they only recently learned about it. Two other respondents suggested that the term and concept has been part of the business culture and talk from the early parts of their career. Even though the term was familiar for most of the respondents, what it actually means was much harder to grasp.

Characteristics Associated with CSR

When asked about the characteristics that would be associated with CSR, ten out of 12 respondents provided a definition (Table 15). The common theme in the definitions was to be profitable and competitive, but at the same time take into consideration the needs of different stakeholders. Stakeholders that were mentioned in the definitions included customers, employees and local communities. The definitions given by the respondents were in line with the theoretical definitions and included elements from the five different dimensions of CSR, mentioned earlier in Context chapter (Dahlsrud, 2008):

- the stakeholder dimension,
- the social dimension,
- the economic dimension,
- the voluntariness dimension and
- the environmental dimension.

It is notable that not every definition contains all five dimensions, as different aspects of CSR are important to different respondents.

One of the respondents emphasized accountability for company's actions in their response.

Three of the respondents emphasized that their company's sole purpose is not just to make as much money as possible. One of the CSR goals stated by respondents was to grow locally and provide jobs locally. This was especially important for the largest respondent, but they also emphasized that this is not always the case when companies grow bigger and expand to new areas.

Table 15. Definitions of CSR presented by the interview respondents (edited for clarity).

<p><i>...being competitive with other suppliers worldwide. It's going to be a matter of whether it gives an edge to be a better supplier or better manufacturer or have a better margin for products and have a better secure future for the customers.</i></p>
<p><i>...being a good citizen, being a good entity in the community that you are in, whether that is maintaining environment around your area, maintaining your facilities or donating / assisting with groups that are able to do more than you can as a company. Being a better part of the community and trying to improve that.</i></p>
<p><i>It's just the way you are looking to make more profit.</i></p>
<p><i>All the stakeholders would be treated fairly.</i></p>
<p><i>It's that corporations care about the community.</i></p>
<p><i>Are we more interested in doing the right thing at the right time or are we more interested in how quick we can make a dollar?</i></p>
<p><i>Someone as a company is accountable for their actions, not only in relation with the products they are making, but how they interact with customers and people that work within the company and just make sure that they are creating a positive environment for everyone involved with the company.</i></p>
<p><i>To be sensitive to the people that work for you and the area you live in and to prove that public good is part of perspective which is really more important than private good. To recognize that there are people less fortunate out there even though they don't work for you. That you need to help, because they are part of the world you live in. There is a responsibility to be the best you can be, so that your company will be successful.</i></p>
<p><i>A responsibility to your community. To do what is good for the environment and to provide jobs. A responsibility to do what can be called moral.</i></p>
<p><i>It's about being responsible as a company for the customers, employees, and local community. Because essentially that's why our company is here.</i></p>

Implementation of CSR in SMEs

There is considerable variation in implementation of corporate social responsibility among the companies. None of the SMEs had designated a specific person to be in charge of CSR or sustainability issues. This is understandable given that small companies generally have limited human resources. Many of the respondents emphasized the fact that CSR and sustainability are part of the overall company culture and that all of the employees are incorporating practices in daily routines. In general, the responses for this question were relatively vague and not many specific practices could be specifically identified. (This is not surprising and perhaps arose because the interview *pro forma* was not designed to introduce CSR; the intent was to identify the companies' unique perceptions and definitions of CSR.) In many cases, the interview was the first time that the respondents had been required to articulate anything about CSR and sustainability issues. Additionally, because CSR is an abstract concept, an on-the-spot definition of practices would be hard to produce. One of the respondents summarized their view of what CSR would be:

“I think it’s just a conscious effort on everybody’s part to make sure that we are being as good corporate citizen as we can be.”

In all, 21 different practices were identified; they are aggregated in Table 16. It is expected that a presentation of different potential practices will be a resource for other SMEs in the forest products sector.

Table 16. CSR practices mentioned by the respondents. Classified by GRI guidelines (GRI, 2011).

CSR Practice	Dimension
Follow the law and associated regulations.	Social
Follow industry Best Management Practices (BMP).	Social
Responsibility for the waste and responsibility for the environment.	Environmental
“There is some community outreach in terms of contributions.”	Social
“Recycle in addition to what we get paid to do.”	Environmental
Green strapping (of the boxes) and pallets and paper, office paper.	Environmental
Voluntarily moving into SFI program.	Social
“To pay the fair price for what you are doing” (logging).	Economic
Logging at the right time of the year.	Environmental
Reduce the impact that we can have on the environment.	Environmental
Providing eco-friendly packaging,	Environmental
We want to make sure that we have competitive prices,	Economic
To be profitable.	Economic
Helping the community college system	Social
Helping the church.	Social
Donations.	Economic
We are very sensitive to growing where we are.	Social
Create as many jobs as possible.	Social
Contributions.	Social
We encourage people to work for us to participate in community service.	Social
Supporting educational programs.	Social

Ten of the responses emphasized social aspects of CSR, which was unexpected given previous investigations which had suggested that environmental aspects held sway in the forest products industry (Panwar & Hansen, 2008). The web site examination (see Table 14. page 49.) also showed a greater social emphasis which is consistent with the interviews.

Constraints on the Implementation of CSR and Potential Opportunities

The main constraint on implementing CSR in SMEs is, not surprisingly, their limited resources compared to larger corporations. One respondent illustrated this:

*“What you find in small companies is that you just have a tremendous load on the existing management to handle many activities whether it would be profitability, banking, finance, sales, marketing or manufacturing. All of these basically take a tremendous amount of management time and the sustainability function, of course being very important, has to be dealt with a limited amount of time that can be put aside to manage those issues, but with the same management team. **Each person in a small company is obliged to wear many hats.**”*

The respondents were asked what kind of help and support they would need to overcome possible problems in implementing CSR and sustainability in their companies. Three out of 12 respondents mentioned large customers as potential supporters, who might provide financial incentives and models of implementing practices or knowledge about CSR. No other sources were suggested. These respondents said that if their customers demanded CSR practices such as certification they, the customers, would have to provide the financial incentives for it. Respondents suggested that such customers might demand CSR and sustainability practices in part because they had more information about such practices. Large customers are also more in the public eye, especially in the consumer products segments such as paper products, and would thus require CSR and sustainability compliance throughout their whole supply chain.

In contrast, five out of 12 respondents did not foresee any constraints on implementing CSR in their company. One of the respondents emphasized that they only have minor problems. This does not correspond, however, with the difficulties respondents had in actually specifying CSR practices in the everyday business. Perhaps this is a result to the “window shopping” effect; that is, respondents were trying to make their companies look good in the eyes of the interviewer. Time limits for the interviews additionally constrained more detailed answers.

In general, respondents were hesitant to suggest sources for information about CSR. Also the reliability and validity of the available information was questioned. One of the respondents put it this way:

“It depends because there are different types of information coming out and each of them has its own niche that you have to pick from and decide how much reliability you put into that and how it applies to your company.”

This illustrates the confusion of views on CSR and sustainability information. One of the respondents even claimed that CSR could also be used to further the special interests of advocacy groups; that respondent warned that SMEs should be careful when looking for information about CSR.

However, respondents did suggest that sources of information would be government agencies such as the forest service and NC State extension service, certification organizations, industry

meetings, and other companies of similar size. One of the respondents was critical of government sources, because people working there would be in "an appointed position" as opposed to "revenue producing position". Only if someone has a vested interest would they provide more appropriate information and help for the company.

Differences in Implementing CSR between Large Corporations and SMEs

Respondents' views on whether CSR is easier to implement in large rather than small & medium-sized companies varied greatly (Table 17). Three of the respondents said that CSR is easier to implement in large corporations, four respondents thought it would be easier in SMEs. Three respondents said that the size of the company does not matter, but that implementation is case-specific.

Table 17. Would CSR and sustainability be easier to implement in large corporations than small and medium-sized companies?

Large size	Small size	Any size	No opinion	Total
3	4	3	2	12

There were two reasons why CSR would be easier to implement in large corporations according to the respondents. First of all, the purely economic reasoning, that costs occurred by CSR and sustainability initiatives could be allocated into larger number of units produced. Second, it would be easier to cope with CSR and sustainability issues in large companies, because certain people can dedicate their time solely for this purpose and do not have to

worry about the everyday tasks of running the business. This is because large corporations often have more resources available.

On the other hand the reasons why CSR would be easier to implement in SMEs included the view that family owned smaller companies are not conducting their business just to gain profit, but they also see the company as part of their own identity and have a deeper, more personal connection with stakeholders. SMEs have leaner organizations and it is easier for people to informally interact with each other and align their views on CSR issues, while large companies need to have formal programs in place to be able to practice corporate social responsibility. One of the respondents also emphasized that SMEs have much more direct link and interface with the public and local community and they have to live up to their expectations in order to conduct business:

*No, I don't think it's easier in a large company. Well, thinking from our company, that we are family company. I mean we would like to make money, of course, but we are more concerned about making sure our employees have a job. **I found that larger companies' really just don't care.***

Wood Procurement and Forest Certification

The most important criteria for the wood procurement were quality, price, distance from the manufacturing plant and correct wood dimensions (Table 18). Buying and using certified wood was not mentioned as a top criterion. That said certification was viewed as an important part of the industry in the future; most of the companies thought that they would

have to acquire certification or otherwise lose their position in the markets (eight out of 12 respondents). Most of the respondents thought that forest certification could give them a competitive advantage; only four out of 12 said that they do not see it as an additional value for the company.

Table 18. Factors Influencing Procurement decisions

Factor	Mentions
Quality	10
Price	4
Distance from the Mill	2
Right Dimension	1

Five out of 12 companies held forest certification. Two of these companies had FSC certification and three companies held SFI certificate. One of the companies that currently did not take part in forest certification was working towards becoming FSC certified later in 2013. One of the respondent companies had been FSC certified up until 2012, but were forced to drop out due to high costs related to the program.

CSR in the Future and as a Competitive Advantage

Demands from different stakeholders for more responsible and sustainable behavior of the companies have been increasing during the recent years and simultaneously academic and other literature have been promoting CSR and sustainability as a way to gain sustained competitive advantage in the tough business environment. Ten of the respondents had some

opinion on whether CSR would be an important part of their future company strategy to gain competitive advantage. Of these ten, seven admitted the importance, but were unsure if it would help in gaining competitive advantage.

*“The more international business we engage in the more responsible we are going to have to be as far as sustainability is concerned. Likewise the more educated the American public and American consumers become the more demanding they are going to be on the sources of where their products are coming from. **They are going to demand to know the sources of their products whether it be forestry or basically any other consumer product.**”*

One of the respondents said that CSR will be an important part of their company culture and strategy in the future, but at the same time was much more pessimistic about the competitive advantage it would give them:

*“The product being sold here in the US, and again we are suppliers to just the domestic market, the thing is that it (CSR) doesn’t gain you any more money. When someone goes to buy that 2x4 they are really not too interested on what type of stamp (Certification) is on it. **It is the price and quality of that product they are more interested in.**”*

One of the respondents remarked on the demand in European markets for CSR or forest certification, and then suggested that demand was declining in response to European economic woes. Two of the respondents recognized that CSR could be important in the future and provide competitive advantage, but they were still unsure about it. One of the respondents wished to remain neutral. Such uncertainties are illustrated by the following:

“It is not clear to me, but we recognize that possibility. It may be a source of competitive advantage, as it has been for our sister company that provides logistics services. Until our customers require compliance with or express a strong preference for dealing with suppliers that comply with certain programs or certifications, it is not clear to me that voluntary compliance is always desirable.”

It seems from the interviews that the driving force for CSR will be the customer. The companies see themselves implementing CSR in their operations, but in order to pay more attention to these issues they have to have an incentive that comes from the demand side.

Sustainability Issues

Overall the respondents associated sustainability issues strongly with corporate social responsibility. Sustainability practices that the respondents identified included forest certification, waste reduction, emission control, reducing the energy consumption, streamlining of the supply chain, regeneration of the cut timberlands and good management of the lands (BMP). The main driver for the sustainability practices mentioned was economic -- either through cost savings or better yields from forests.

None of the companies had their own monitoring or evaluation programs in place; when asked they mentioned third party audits related to forest certification and BMP reporting as a way to verify and monitor their practices. Unlike larger companies, there is no regular reporting of sustainability measures although two of the respondents mentioned that they do include it in their websites and marketing material. The lack of formal reporting is likely due

to limited resources and also to the lack of strict reporting requirements such as those for their larger counterparts (Securities and Exchange Commission, 2008).

When asked about customer demand for sustainability, only one mentioned that they used to have interest from the European customers, especially about forest certification. However none of the respondents suggested that domestic customers would ask about these issues. Only the owners were identified as stakeholder group that currently has effect on sustainability issues. Besides owners, customers were identified as a group that could possibly affect the sustainability decisions in the future. None of the respondents mentioned non-governmental organizations as a stakeholder in sustainability issues.

Only two of the respondents mentioned that someone in the company has been concentrating on sustainability issues; in both cases, this person worked as a procurement manager. Sustainability issues were not their main responsibility however, but were simply part of their everyday tasks.

DISCUSSION

The purpose of this study was to explore corporate social responsibility and sustainability in the context of North Carolina's small and medium-sized forest products companies. Since no earlier studies in this field were discovered, the nature of this study was exploratory. Thus, it provides important initial empirical evidence of CSR and sustainability practices among the region's SMEs.

Content analysis and in-depth interviews were originally treated as separate datasets, but some conclusions on the connection of these two different types of analysis could be drawn as well. More importantly, content analysis described the external communication of the companies, the so-called "public face", whereas interviews were able to delve beyond the surface and reveal some of the practices and perceptions within the companies. Despite the relatively small data set, some interesting conclusions can be drawn.

The research objectives for the study were (1) to identify corporate social responsibility and sustainability practices that are implemented in North Carolina's small and medium-sized forest products companies; (2) to determine how these companies perceive and communicate the benefits and limitations of CSR; and (3) to determine CSR practices and the drivers for sustainability in SMEs' daily operations.

Discussion Based on Theoretical Background

Theoretical background of the study consisted of three different theories related to CSR and sustainability: stakeholder theory, resource-based view theory (RBV), and theory of social capital. All three of these theories have common elements, but still offer different views into CSR and sustainability issues.

Stakeholder theory suggests that the overall objective of the company should be to maximize the well-being of all stakeholders involved instead of just maximizing the profits of the owners or shareholders. One objective of the interviews was to identify the stakeholders of the respondent companies. Stakeholders that were mentioned included owners, customers, employees and local community. The only groups acknowledged as having impact on CSR or sustainability issues were the SME owners and customers. In fact, customers were identified in only two cases as the source of resources (i.e. money and information) to implement CSR and sustainability practices. Respondent companies did not think of other stakeholders as a significant drivers for CSR or sustainability.

None of the respondents mentioned non-governmental organizations. However, the local community was important according to many of the websites. In some of the interviews, respondents mentioned the local community as an important stakeholder, which is somewhat controversial with the fact that interview respondents did not really consider external stakeholders as important drivers for CSR. This could be due to differences between the external image and actual practices. Based on the content analysis and interviews,

stakeholder theory does not seem to apply directly in the practical orientation of the business model of SME forest products companies in North Carolina. This is similar to European research conclusions (see, e.g., Fassin, 2008; Perrini & Minoja, 2008). That said stakeholder theory could provide important background framework for investigating CSR further, especially since it is closely connected to the theory of social capital, and thus should not be dismissed.

The RBV on the other hand is more practically oriented theory and is used to describe what a company can achieve through its available resources. The overall goal of a company is to use its available resources so that they can create a sustainable competitive advantage over the other competitors. In the RBV, the resources available to a company are divided into tangible (e.g. wood raw-material) and intangible (e.g. reputation) resources and the capability to employ those resources skillfully. Corporate social responsibility and sustainability issues are part of the intangible resources that could be used to boost existing resources such as reputation or human resources. Because CSR and sustainability topics can create positive stakeholder effects, they may contribute to the company's image and interaction with the outside world. The content analysis of the web pages did not reveal whether CSR and sustainability were treated as strategic resources. However, the findings from the interviews suggest that companies somewhat recognize that CSR and sustainability issues could create a competitive advantage for the company.

It seems that the companies are wary of making significant additional investments in these topics. Corporate social responsibility and sustainability issues are often perceived as an additional burden. There has to be a clear demand signal from either the customer side or legislative side that would create an incentive for the companies to further engage in these activities. The respondents maintain that they are already implementing CSR and sustainability in their operations, but it is integrated into the company culture and employee attitudes rather than being specifically articulated. This is consistent with prior research in SMEs (see for example Lantta, 2010). RBV-theory seems to be more fitting for the context of SMEs because it emphasizes the strategic aspect of CSR and sustainability. Respondents recognized such a motivation.

Theory of social capital on the other hand emphasizes the importance of social networks and social capital as an asset for small and medium-sized companies. As with the RBV-theory it promotes intangible resources as a source of competitive advantage and is also aligned with stakeholder theory, because of the focus on different stakeholders as an important asset. CSR is seen as a way to manage this asset. This theory has been suggested by Perrini (2006) as the most fitting for describing and analyzing CSR in the context of SMEs. Website content analysis revealed that the reputation was indeed important (see Table 7, p.32). About 30% of the companies with websites mentioned reputation, which followed just behind sustainability and environment in importance value. Interview data also suggest that good reputation and interaction with local community and forest owners is an important asset. Since most of the forestland in North Carolina is privately held, the importance of forest owners as a social

network group was emphasized throughout the interviews, because it is essential for wood procurement. Different industry organizations are also important for the small and medium-sized companies, both as a source of information and support. These informal and formal networks can be used when implementing CSR and sustainability in the companies. Based on evidence from this study it seems that theory of social capital fits well in the context of SMEs and CSR.

Discussion based on research objectives

First Objective: Identification of CSR and Sustainability Practices

Through the content analysis it was possible to describe extant CSR and sustainability practices and communication. The content analysis revealed that CSR and sustainability practices are usually perceived as synonymous. It provided insights into how the companies communicate what they are doing to stakeholders outside the company. Additionally, the content analysis revealed that the sustainability practices mentioned in the web pages were more focused on environmental aspects whereas CSR practices focused more on social issues, which is also consistent with the results of the interviews.

Table 19. Summary of most important Sustainability and CSR practices identified through content analysis.

Sustainability Practices	Count	CSR Practices	Count
Reforestation	2	Supporting local charitable organizations	2
Using state of the art technology	3	Investing in the local community	2
More efficient production	6	The promotion of responsibility for environment	4
Recycling	10	Safety	4

Interviews revealed more in-depth information about practices and perceptions, and enabled identification of operational practices. The practices identified could be used as guidelines and examples for implementing CSR and sustainability in the SMEs. During the interviews it became clear that respondents could not quickly articulate implementation of CSR and sustainability in day-to-day business, although they believed that both are integrated in work and company culture. Thus many responses were vague and only suggestive of specific practices. Most often mentioned aspect of CSR was social. The practices mentioned included for example voluntary implementation of SFI program, community outreach and creating as many jobs as possible (see Table 16. on page 56 for more CSR practices). Sustainability practices that the respondents identified included forest certification, waste reduction, emission control, decreasing the energy consumption, streamlining of the supply chain, regeneration of the cut timberlands and good management of the lands (BMP).

The current literature highlights the informality of SMEs' CSR and sustainability practices; this was confirmed by the interviews. Some of the earlier studies among CSR and forestry in larger companies (see for example Panwar & Hansen, 2010) suggest that environmental aspects of CSR tend to be emphasized in the forest industry, which makes these empirical results interesting. This could be due to the importance of local community in the SME context or difference of priority areas between SMEs and larger companies.

Second Objective: Perception and Communication of CSR and Sustainability Practices

The results showed that the term, corporate social responsibility, was familiar to respondents, but they were uncertain about an operational definition. “Sustainability” was more familiar and was strongly associated with corporate social responsibility. Sustainability and CSR were often used synonymously, both in the websites and during the interviews.

The website content analysis showed that 48% of the coded material was sustainability-related whereas only 19.8% was identified specifically as CSR content. It is important to remember that sustainability and CSR content had some overlap (because these terms were often treated synonymously). The overall portion of sustainability and CSR content in the analyzed websites was 34% of the total website content. This is a relatively high proportion, but because only 22 websites were chosen to be analyzed out of 61 potential sites, there may be bias toward CSR and sustainability content among these 22 websites. That is, the sample

may be skewed toward companies that are interested in sustainability and CSR issues.

However, these sites were selected not as much for representativeness, but for the purpose of identifying the practices and analyzing the communications of SMEs in North Carolina. It is intended that these examples serve other companies interested in making CSR and sustainability part of their corporate agenda.

The results of the interviews revealed that the respondents were aware of CSR as a term, but were unsure of what it actually entails. When asked to define corporate social responsibility respondents focused on being a good corporate citizen, being profitable, and treating all the stakeholders equally. Respondent definitions revolved around the five dimensions of CSR as expected. The respondents had quite different views on SMEs' importance in the greater CSR agenda, three of them suggesting it would be easier to implement in large corporations, four saying it would be easier in small and medium-sized companies, and three saying that size does not matter. The confusion here is understandable, since CSR and sustainability are not issues discussed daily in these companies and many of the respondents had corporate exposure only in SMEs.

Respondents suggested that one of the most important constraints on implementation would be scarce resources and greater costs, while the most important opportunity for easy implementation would be smaller organizational structure and easier communication between the employees. A formal program was seen as important for the larger companies, but for SMEs it would only create additional administrative burden and incur extra costs.

All of the interview respondents thought of CSR and sustainability practices as an important part of their company culture and perceived it as an important part of their company in the future. The idea of CSR and sustainability creating competitive advantage was treated with caution, but was not ruled out should the demand arise. Overall, the respondents saw CSR and sustainability as a positive concept, but were unsure both of its components and their need to respond to it. This suggests that communication of CSR practices in marketing strategies could remain unclear until a company articulates it in a case-specific manner. The relatively low and unevenly divided CSR and sustainability content of the websites further suggests that if companies are willing to include it in company strategy, they must create a closer correspondence between internal views and practices and external communication. It is intended that the research results here help to guide companies toward identifying extant practices and communicating them to a wider audience of stakeholders.

Third Objective: Determine CSR Practices and Drivers for Sustainability

The drivers behind the sustainability and corporate social responsibility practices were hard to identify, because interview respondents were not accustomed to discussing them on a regular basis, nor were their customers requesting them. However, according to the literature, the most important drivers for CSR and sustainability in SMEs are the values and moral preferences of owners and managers. Interview results confirmed this view, since SME owners were usually identified as the drivers of CSR and sustainability. Customers were the other group identified, but they were of lesser importance. If the customer side were to

demand CSR or sustainability practices and associated certifications, however, respondents suggested that customers would have to be willing to absorb some of the costs incurred.

Larger companies were also identified as drivers, since SMEs are often part of their supply chain. As larger companies face demands from customers and other stakeholders for certification and CSR, they will require that the whole supply chain comply. Although small and medium-sized companies alone do not have a significant impact, together they comprise a large force, and, as part of larger supply chains, their actions must reflect those of the 'big players'. At present, however, respondents feel that the demand for CSR or sustainability has been relatively small and what is practiced is driven by the values of the people working in SMEs.

Implications and Suggestions for Future Research

Corporate social responsibility and sustainability in small and medium-sized forest products companies has been relatively unexamined, except in Europe. Thus, this U.S.-based research study is a novelty in the emerging field of SME and forest sector CSR studies. In general, the results of this study are in line with earlier European research. Specifically, however, the perceived and somewhat contradictory emphasis on the social aspect of CSR requires further investigation.

Another very important merit of the study is that it offered a small segment of small and medium-sized companies an opportunity to take part in the CSR debate and offer their own insights. In subsequent studies focused on SMEs, the tentative results and conclusions will require validation, especially for the goal of strengthening SME understanding and implementation of a potentially important strategic asset.

A large challenge in the future will also be to extend knowledge and promote the will to adapt and adopt CSR practices. It is hoped that North Carolina can lead the way in establishing a knowledge base for similar forest products-intensive economies. After the base of knowledge is established in the developed world, further research should be directed towards the developing economies.

CONCLUSIONS

This study has investigated small and medium-sized forest products companies' corporate social responsibility and sustainability practices in North Carolina. Empirical data collection from company websites and company interviews revealed that CSR and sustainability are recognized in the companies, but that the actual meaning of the terms remains somewhat unclear. To improve the external communication about CSR and sustainability, companies need to be able to recognize what they are doing. The findings of the study, although case-specific, can be used as models to generate ideas about the implementation of CSR and sustainability in small and medium-sized forest products companies in North Carolina and all over the U.S.

CSR and sustainability in SMEs seems to be practically oriented and dependent on the values and moral views of the owners. Interview respondents emphasized how CSR and sustainability function is more part of everyone's work in the company rather than being a conscious effort. This means that formalization of CSR might not work as well in these companies; indeed, none of the companies interviewed or whose websites were analyzed had formal CSR or sustainability programs in place. Formal programs are often seen as an extra burden on already limited resources.

This, however, does not mean that the companies would not benefit from following GRI guidelines or utilizing ISO 26000 standards, since these could also be sources of information and help them to identify their own practices. These could be adapted to meet the specific needs of a company. Also the communication of the CSR and sustainability actions could be easier with some formal structures in place. It is important for SMEs to find a balance between formal and informal implementation of CSR and sustainability.

The companies studied did not currently perceive CSR or sustainability issues as a crucial aspect of their business, likely because their businesses and operations are already relatively well regulated in North Carolina. Many companies emphasized the fact that they have been in business for a long while and acting responsibly is a condition of keeping the business running; that is, maintaining their license to operate. The companies that were established more recently seemed to be more likely to think that CSR and sustainability could give them a competitive advantage. That said all of the respondents in the study viewed CSR and sustainability issues as an important part of their company in the future. This is in accordance with the perception that these concepts are becoming increasingly important in the business world. Right now large companies are leading the way, but the flexibility and adaptability of small and medium-sized companies could mean that they can come up with more innovative and company-specific ways to address corporate social responsibility and sustainability issues.

Analysis of the results indicates that companies **do** practice CSR and sustainability in their everyday business, but are not always aware of it. They also have some external, but quite limited, communication about these concepts. This means that for companies interested in adopting CSR and sustainability as a part of their business strategy and marketing efforts there is definitely an opportunity to promote it. Due to limited resources, perhaps no elegant reports could be generated, but to integrate CSR as a part of company's image and advertising would be easy, since many of the elements exist already. Thus, an important activity for those SMEs aware of CSR and sustainability topics would be to articulate their own practices and perceptions.

The fact that company representatives had an opportunity to reflect on their own ideas and thoughts about CSR and sustainability exemplifies the outreach benefits of this research effort. The findings of this study suggest that since much of the CSR and sustainability thinking is already in place it should be emphasized in the company strategy. CSR in SMEs is a process that involves everyone working in the company and is mostly driven by the owners or head managers. Small and medium-sized companies are perfectly capable of practicing CSR and sustainability. With greater articulation of their efforts, they could reap the same benefits that their large counterparts do. Sustainability and CSR will be important parts of business in the forest sector in the future so it makes good business sense to embrace these concepts, especially when the components are already in place.

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APPENDICES

Appendix A

Jaakko Nippala, Interview questions for

**Demand Drivers for Corporate Social Responsibility in
North Carolina's Small and Medium Sized Forest Product Companies
13 December 2012**

I. Basic questions about the company

- A. What are your company's main products?
- B. How many employees does your company have?
- C. Is the company family owned?
- D. What is your main market area?
- E. Where are your customers located?
- F. What is your position within the company?
- G. Respondent characteristics (age, education)

II. Questions about procurement (purchase of raw materials)

- A. Where do you primarily buy your timber raw material?
- B. How do you buy raw materials (Probes: Direct Purchase. Through dealers. Other manufacturer?)
- C. What are the main reasons to buy raw material from these sources?
- D. Do you participate in any certification program in your wood procurement?
- E. How important is it for your company to purchase certified wood?
- F. Do you see forest certification as a competitive advantage for your company?

III. Questions about stakeholder impact

- A. Who do you see as your important stakeholders (Probe: customers, employees, local communities, owners/stockholders, NGO)?
- B. Can you place a priority order on these stakeholders?
- C. Do these stakeholders affect your company's decisions in sustainability issues?
 - 1. Probe: (If NGO is listed, then what is effect of Ngo on your company decisions)
- D. Have customers asked about sustainability issues?

IV. Questions about sustainability

- A. What would you identify as the key sustainability practices implemented by your company?
 - 1. How do you implement these? Can you provide some examples?
 - 2. How are these monitored and evaluated?
- B. What do you think is the principal motivation behind these issues?
- C. Is sustainability regularly included in your company's annual report?
- D. Has your company chosen someone to take responsibility for sustainability practices?

V. Questions about Corporate Social Responsibility

- A. Do you remember when and where you first heard the term "corporate social responsibility"?
- B. How is CSR implemented in your company?
- C. Do you see any problems or limitations on implementing Corporate Social Responsibility in your company?
 - 1. Probe: What do you see as the biggest barrier for small companies on implementing CSR practices?
- D. Do you see CSR as an important part of your business in the future?
 - 1. Probe: Do you see CSR as a source of competitive advantage and value creation?
- E. Do you think CSR is easier to implement in large Forest Products companies than small and medium sized companies?
- F. What are the characteristics that you associate with the term "CSR"?

Appendix B

Sample letter of introduction

3901 Greenleaf Street
Raleigh, NC 27606
Email: jinippal@ncsu.edu

(Date)

Dear XXX

I am writing to ask your participation in a study about corporate social responsibility in small and medium-sized forest products companies. This is research I am conducting for a master's thesis at NC State and University of Helsinki, Finland.

Would you be interested in speaking with me about your company's practices and perceptions? I will be interviewing representatives of about 20 companies in North Carolina by phone or in person during February and March of 2013. My questions would be about your company, wood procurement, your stakeholders, sustainability, and corporate social responsibility in forestry businesses. It would only take about 30 to 45 minutes of your time, and you would be able to control the time required.

My background is in forest products marketing in Finland. I am studying at NC State for the year as part of an exchange program between Scandinavian and U.S. forestry schools. I have some familiarity with corporate social responsibility issues in Finland, and am interested in learning about practices here in North Carolina.

I look forward to meeting you, and will telephone you (*insert appropriate dates*) to discuss your potential participation.

Sincerely,

Jaakko Nippala

Appendix C

North Carolina State University
INFORMED CONSENT FORM for RESEARCH

Title of Study

Demand Drivers for Corporate Social Responsibility in North Carolina's Small and Medium Sized Forest Product Companies

Principal Investigator: Jaakko Nippala

Faculty Sponsor: Dr. Sarah Warren

What are some general things you should know about research studies?

You are being asked to take part in a research study. Your participation in this study is voluntary. You have the right to be a part of this study, to choose not to participate or to stop participating at any time without penalty. The purpose of research studies is to gain a better understanding of a certain topic or issue. You are not guaranteed any personal benefits from being in a study. Research studies also may pose risks to those that participate. In this consent form you will find specific details about the research in which you are being asked to participate. If you do not understand something in this form it is your right to ask the researcher for clarification or more information. A copy of this consent form will be provided to you. If at any time you have questions about your participation, do not hesitate to contact the researcher(s) named above.

What is the purpose of this study?

Corporate Social Responsibility has become increasingly important in corporate business practices. For purposes of this research, Corporate Social Responsibility (CSR) is defined as management of business activities so that profit is gained simultaneously with creation of a positive impact on society, environment, and stakeholders. Large corporations are already using CSR for marketing purposes. But small and medium-sized companies may find it more difficult to implement it in their daily business operations. Identifying and describing effective patterns and practices of CSR will help small businesses create competitive advantages in forest product marketing. These practices can then be used as building blocks for sustainable and responsible business strategy.

In the proposed research, I plan to (1) identify CSR practices that small and medium-sized forest products firms in North Carolina are implementing in their daily business operations; (2) determine how these firms define CSR; and (3) determine an importance value for CSR practices in daily operations. The research will be conducted in spring 2013, using semi-structured open-ended interviews of corporate officers and managers in approximately 15 to 20 North Carolina firms.

What will happen if you take part in the study?

Following our initial interaction, an interview time will be arranged around your schedule, either at the meeting place of your choice or by telephone. You will be asked to answer a brief set of open-ended questions about your company, wood procurement, stakeholders, sustainability, and corporate social responsibility. Initially I will request permission to tape-record the interview. If you prefer not to be recorded, I will take hand-written notes. You will have received a copy of this informed consent letter, and I will ask for your consent in writing or by verbal acknowledgement before the interview begins. If you choose to be interviewed by telephone, you can return the signed informed consent letter either by e-mail or by post. For your convenience I have included a self-addressed stamped envelope for return. The interview is expected to take between 30 to 45 minutes, and you will be able to control the time required. Once the interview is completed, I will be transcribing the recording or hand-written notes. If you wish to see the transcription, you should feel free to request a copy.

Risks

There should be no risks associated with your participation in this research.

Benefits

There are no direct benefits to you or your company. Identifying and describing effective patterns and practices of CSR will help small businesses create competitive advantages in forest product marketing. These practices can then be used as building blocks for sustainable and responsible business strategy.

Confidentiality

The information in the study records will be kept confidential to the full extent allowed by law. Data will be stored securely in a locked cabinet in my faculty sponsor's office until the end of 2014. No reference will be made in oral or written reports which could link you to the study. You will NOT be asked to write your name on any study materials so that no one can match your identity to the answers that you provide.

Compensation

You will not receive anything for participating.

What if you have questions about this study?

If you have questions at any time about the study or the procedures, you may contact the researcher, Jaakko Nippala, by email at jjnippal@ncsu.edu or by telephone at 919-791-7426. You may also contact my faculty sponsor, Dr. Sarah Warren, at stwarren@ncsu.edu

What if you have questions about your rights as a research participant?

If you feel you have not been treated according to the descriptions in this form, or your rights as a participant in research have been violated during the course of this project, you may contact Deb Paxton, Regulatory Compliance Administrator, Box 7514, NCSU Campus (919/515-4514).

Consent To Participate

"I have read and understand the above information. I have received a copy of this form. I agree to participate in this study with the understanding that I may choose not to participate or to stop participating at any time without penalty or loss of benefits to which I am otherwise entitled."

Subject's signature _____ Date _____
Investigator's signature _____ Date _____

Appendix D

ADDITIONAL RESOURCES AND SOURCES OF INFORMATION FOR SMEs:

American Hardwood Export Council: <http://www.ahec.org>

Dogwood Alliance: <http://www.dogwoodalliance.org>

The Longleaf Alliance: <http://www.longleafalliance.org>

National Hardwood Lumber Association: <http://www.nhla.com>

North Carolina Forestry Association: <http://www.ncforestry.org>

Southeastern Lumber Manufacturer's Association, Inc. <http://www.slma.org>

WNC Forest Products: <http://wncforestproducts.org>