Master's thesis

NTNU
Norwegian University of Science and Technology
Department of International Business

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The Impact of Internationalization and Corporate Social Responsibility on Norwegian firms' financial performance: A study encompassing all industries.

Master's thesis in International Business and Marketing
Supervisor: Siv Marina Flø Grimstad

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Abstract

The internationalization process has evolved considerably over the last decades. Most prominent is the change in process and approach, and the rapidly increased speed. This rapidly increased internationalization pace drives firms to increase their corporate social responsibility (CSR) as a response to demands set by stakeholders. While the concept of CSR has been around for decades already, the world society has in recent years amped up the awareness around the phenomenon. The Norwegian government has in recent years taken on an active role in placing CSR on the agenda. Whether Norwegian firms operate in Norway or abroad, the Norwegian government expects all businesses to act responsibly.

The purpose of this study is to explore the nature and relationship between the degree of internationalization, corporate social responsibility, and financial performance in Norwegian firms with international activities. The study seeks to encompass all industries in Norway.

This thesis is based on a quantitative approach, where an electronic survey forms the basis of the research. The survey was sent out to 500 Norwegian companies, where more than 20 individual Norwegian industries were represented.

In keeping with the findings from the survey, we could not determine a definite link between the main variables. Nonetheless, a number of other interesting observations were made. Some of the findings indicate that the different Norwegian industries all characterize CSR as important, as records show that Norwegian firms in general operate with high ethical standards. Other relevant remarks were made during the mapping of the firms' motivation for internationalization, their internationalization strategies, and their motivations for engaging in CSR activities. The highest scoring motivational drivers for internationalization and CSR were respectively access to new/larger markets and reputation. Supplementary to this, the study also revealed that firm size, in terms of employees, have a positive impact on both the firms' CSR activities and financial performance.

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Chapter 1 Introduction

1.1 Background

The purpose of this study is to explore the relationship between degree of internationalization, Corporate Social Responsibility (CSR) and financial performance in Norwegian firms with international activities. The strategy and decision to internationalize is not new, however the internationalization process has changed a lot over the last decades. Most prominent is the change in process and approach, and the rapidly increased speed. This “new” version of internationalization drives firms to respond to demands set by stakeholders through increased corporate social responsibility (Attig et al., 2016). In recent years, the world society has amped up the awareness of CSR, despite the phenomenon being around for decades already. One of the triggering causes for this action is the accelerated globalization. CSR is no longer optional; the global and competitive business environment today dictates that firms need to take their part of social responsibility (Graafland & van de Ven, 2006; Nejati & Amran, 2009, Scherer & Palazzo, 2008). With increased international activities and raised awareness around firms’ social responsibility, firms are exposed to new levels of complexities that may impact their financial performance.

In the following paragraphs, we will first set our thesis into context by describing the situation of Norwegian firms with international activities. Next, we will touch upon the relevance of the chosen topic and formulate our research question. Afterwards, an overview of our selected methodological approach in the thesis will be given. Lastly, we outline the remaining chapters in this thesis.

1.2 Context

As the study encompasses all industries in Norway, we now look at the big picture of the Norwegian industry. Norway is a small, open economy with long traditions of doing business with other countries (Rolsdorph, 2021). Put into the perspective of foreign trade, the most valuable export products from Norway are oil, gas, and fish. However, other products such as metals (aluminum), different types of technology, maritime, financial, business, and architectural services etc. are also important export products out in the world. Export accounts for a significant portion of the Norwegian economy (see Figure 1, black line), and is essential for both value creation and employment in Norway. In 2019, Norway exported products and services out in the world for a total of NOK 1296 billion (Rolsdorph, 2021).

Figure 1. The Norwegian Trade Balance (April 2016-April 2021). Source: Fortsatt høy eksport (SSB, 2021).

Many export-oriented companies are situated outside the largest cities, thus playing an important role in generating jobs in the districts. Firms operating within the maritime and aquaculture industries are mostly located along Norway's long coastline. Here, we find several clusters with world leading companies within their field, e.g. the Blue Maritime Cluster on the Møre coast. In and around Oslo, we find several tech hubs aimed at different types of technology. And much of the metal industry is located in the Norwegian fjords, where they have access to clean and affordable electricity. Thus, many industries are spread across the whole country. Most companies have some type of cluster or network they belong to. Thus, sharing information and experiences with each other. The firms that have international activities, can in addition to their own networks, utilize Innovation Norway's many offices around the world. With 24 offices spread all over the globe, Innovation Norway aims to connect Norwegian businesses with the global market (Innovation Norway, 2020). These offices can e.g., provide firms with useful knowledge about the business environment and culture in the different regions, and help with reducing risks related to expansion in foreign territories.

Now also adding corporate social responsibility (CSR) into the mix. As previously mentioned, CSR has become more important than ever. It has become a heated topic because of the role different businesses play in a larger social context. The rapid pace of globalization has made the ethical aspects of CSR more evident (Ministry of Foreign Affairs, 2008, p.6). Internationalization has enabled firms to relocate production or other aspects of businesses abroad. As these firms have moved activities abroad, and encountered issues e.g., related to laws and regulations in the countries they now operate within, they have also paved the way for a deeper focus on corporate social responsibility (Carson et al., 2015). Over the past decades an increasing number of businesses have internationalized their activities, sometimes in areas of the world where human rights are being challenged, seeing poor and unacceptable working conditions, where child labor is used, or where the environmental impact of manufacturing operations are swept under the rug. Areas of the world where political instability, poverty and corruption are a part of the daily grind. However, now firms are forced to take a stance on CSR. Companies are more frequently being questioned about what constitutes appropriate practice and whether the companies' liability goes beyond merely complying with the law (Ministry of Foreign Affairs, 2008, p.96). Most of the larger Norwegian companies have prioritized CSR activities for a long time already. Many of them have incorporated CSR into their daily operations and decision-making processes. However, despite many Norwegian businesses and organizations' success in incorporating social responsibility into their corporate practices, there is room for more participation especially from companies within the small and medium enterprises (SMEs) range (Ministry of Foreign Affairs, 2008, p.96). Every Norwegian industry would also benefit from an increased awareness and an even greater understanding of CSR.

1.3. Relevance of topic

As the world continues to evolve, the focus on both the internationalization process of firms and their CSR activities escalates. This is also the case for industries in Norway. In the period 2009 to 2011, 12% of Norwegian businesses moved activities abroad (SSB, 2013). Studies have shown that if firms move activities across borders, it usually involves different types of support activities such as IT and administration. A smaller percentage move their core activities abroad. In most cases this international sourcing of activities is kept within the same corporations, but to other areas of the world. This way, the firms can protect their information and technology, while also protecting their products/services. Following this line, Norwegian Research Council has just launched an action plan for further internationalization in the period 2021-2027. The aim is to increase participation in collaborations with international partners, which will add value for both Norwegian research facilities and businesses. Innovation Norway now offers loans, under a set of conditions, for businesses that wish to internationalize and grow. By offering this helping hand, Innovation Norway hopes to contribute to growth and value creation in Norway, while also increasing the firms' opportunities to succeed internationally. Several Norwegian ministries also facilitate more and better market access, while also giving good competitive conditions for firms that export products and services. There is even a special network called Team Norway, which promotes Norwegian financial/business interests in foreign countries. The team consists of both private and public organizations, covering all sorts of industries.

It is not only big organizations like the EU, UN, and OECD that have put CSR on the agenda. While Norway is a small country if one looks at the big picture, the Norwegian state highly emphasizes CSR. The Norwegian state believes in transparency and disclosure. Thus, the Norwegian Government wants all Norwegian firms to practice CSR, no matter if the businesses are state-owned or privately owned, and regardless of whether activities are held within Norway or abroad (Ministry of Foreign Affairs, 2016). By performing CSR, the Government believes the firms will safeguard shareholder values. They state four areas they expect Norwegian businesses to act on: 1) climate change and the environment, 2) human rights, 3) workers' rights, and 4) anti-corruption. While CSR is a global phenomenon, affecting people and the environment everywhere, it is just as important that people in our corner of the world do their part.

To be able to compete with international and global competitors, most Norwegian industries need to keep up with the times and the speed of today's internationalization, strategy, and decision-making processes. Continuously evolving for a smoother and more successful process. The same approach could be transferred to CSR. Every firm is built up of many individuals, and the firms are dependent on the individuals to act according to the social guidelines set by the firm (Wood, 1991). If everybody is motivated to do their part, seeing it is the right thing to do, the collective effect may be highly valuable.

A lot of research has been done on the different aspects of internationalization and the internationalization process since the 1970s. And although of a newer date, theories on the phenomenon CSR are also studied well. However, the research on the link between degree of internationalization and corporate social responsibility is limited. Especially regarding how these variables affect the financial performance of different types of firms. Thus, the thesis seeks to contribute to bridging this research gap. The following research question is formulated for this thesis:

How are firms' financial performance influenced by the degree of internationalization and corporate social responsibility (CSR)?

1.4 Methodological approach

The thesis is built on a quantitative method. An electronic survey sent out to 500 individual Norwegian companies from all types of industries, forms the basis of this thesis. The main empirical contribution of the thesis is the quantitative survey, which addresses the firms' degree of internationalization, motivation for internationalization, financial performance, and different aspects of CSR. However, what is perceived to be a good internationalization process/pattern and a good CSR approach for one industry, may differ for others. Thus, the survey was made in such a way that all types of firms, from all types of industries would be able to participate.

1.5 Outline of the thesis

In chapter 2 we dive deep into the theoretical background of internationalization and CSR. The chapter introduces and defines the concepts of internationalization and CSR, and their main schools of thoughts. Then the most relevant theories of internationalization and CSR with regards to the thesis are discussed. In addition, we touch upon the history of Norwegian firms and their internationalization process and CSR approach. Chapter 3, about methodology, addresses the Research Design and Data Collection. Chapter 4 presents the results of the quantitative survey. In chapter 5 we discuss the findings of the quantitative study, and present suggestions as to what the findings indicate. In chapter 6 we provide a short conclusion of the main findings, and the limitations of the thesis are stated, alongside practical implications and suggestions for future research.

Chapter 2 Theoretical Background

This section will explain the different theories of internationalization and provide some context to the internationalization history of Norwegian firms. Furthermore, we will define corporate social responsibility and go through its history to provide a better understanding of what the concept entails, and which aspects are considered relevant.

2.1 Internationalization

2.1.1 Defining Internationalization

Before diving into the depth of the internationalization theory, we need to define and distinguish certain key concepts such as “internationalization” and “internationalization process”. By now, the term “internationalization” has been around for some time. Through the years, and as times have changed, many scholars have made their own adjustments to the definition of the term. However, Welch & Luostarinen (1988) defined “internationalization” as a process of various business activities across home country borders, with an increasing degree in operations. Their definition was based on Fayerweather (1978) specification of “international business activities". Fayerweather (1978) implied that international business activities were equivalent with trading different resources beyond national borders. Many years prior to the definitions of Fayerweather (1978) and Welch & Luostarinen (1988), Aharoni (1966) stated that the “internationalization process” of firms often came as a consequence of gradual adjustments to ever changing conditions within firms and their environment (Christofor, 2008). When Johanson & Vahlne (1977) later explained internationalization as an incremental process that is dependent on a firm’s knowledge of foreign markets, they based their explanation on Aharoni’s statement from 1966.

2.2 Theories on Firm Internationalization

There are a wide range of theories on internationalization, from explaining *why* firms internationalize to *how* firms internationalize. The theories around *why* firms internationalize come from the field of strategic management, entrepreneurship, and international business (Christofor, 2008). In the following, a short description of the relevant theories as to *why* firms internationalize will be given.

2.2.1 Economic theories

2.2.1.1 Market Imperfections/ Monopolistic Advantage Theories

According to the market imperfections and monopolistic advantage theories, internationalization occurs because firms have distinctive advantages that set them apart from other firms. Hymer (1960) was the first to see this connection where firms grew beyond their own domestic borders. This entails that firms that do internationalize need to have a set of competitive advantages that the local firms do not have, in order to compete, and despite the risks and other disadvantages connected to trading in foreign countries. According to the monopolistic advantage theory, the main motivation for firms to internationalize is the firm's constant hunt for new opportunities, ending with maximization of profits.

2.2.1.2 Internalization Theory/Transaction Cost Theory

The core concept of the transaction cost theory, which also could be seen as an extension of the monopolistic advantage theories, is that firms internationalize through diversification or by incorporating foreign direct investments (Buckley & Casson, 1991; Coase, 1937; Dunning, 1980; Fina & Rugman, 1996; Williamson, 1975, 1979, 1985). Rugman (1980, 1985) and Williamson (1979,1985) state that the main objective of a firm is to reach optimal efficiency. The optimal efficiency of a firm can be reached by reducing risks, while preserving firm-specific assets. When firms evaluate the economic cost of transactions, the management makes optimal decisions for locating firm operations (Christofor, 2008). Analyzing the lowest transaction costs across the domestic market and foreign market is what drives firms to implement foreign direct investments, and further internationalize.

2.2.1.3 Oligopolistic Reaction Theory

Knickerbocker (1973) made an interesting observation of follow-the-leader behavior of internationalizing firms. He noticed that firms limited their internationalization risk by mimicking their competitor's decision regarding arrival in other markets. Knickerbocker's theory revealed that competitors swiftly expanded into foreign markets when rivalry firms made internationalization decisions. These swift expansions were made to diminish the first-mover advantage of the rival firm. Firms operating with this behavior were more engrossed with the potential losses of not expanding, than the potential benefits gained by expanding. The risk of not internationalizing, thus being different from others within the same industry, was seen as higher than any other possible drawbacks. This situation would be the same for all firms. Simultaneously, if the decision to internationalize was profitable, the firm would be just as successful as its rivals.

2.2.1.4 Eclectic Theory of International Production

The eclectic theory of international production emanates from the monopolistic advantage theory, as it also focuses on firm-specific advantages, internalization, and location theory. Dunning (1979, 1980) tried to clarify internationalization behavior, specifically with respect to foreign direct investments (FDI). He came up with three categories of advantages that are beneficial when choosing the appropriate form of market entry: (1) ownership-specific advantages, (2) location-specific advantages, and (3) internalization advantages. The OLI framework can ease the process of determining if it is profitable for firms to invest in FDI or not. However, the best alternative for selecting a market entry strategy in foreign markets (joint venture, subsidiary, licensing, etc.) depends on the interaction between the advantages from the OLI framework (Young et al., 1989).

2.2.1.5 International Product Life Cycle Theory

Vernon (1966) indicated that firms internationalize as they want to protect their markets from mature products. The key concept in this theory is product life cycle (PLC). The concept is based on a notion that some products go through a continuous cycle, consisting of four steps: introduction, growth, maturity, and decline. The production of the products will shift to another country, based on which phase the products are in. During the introduction phase, the product will be produced domestically, any surplus will be exported to other advanced markets. When the demand domestically declines, and as the product matures, the company will export the product to foreign markets where the product life cycle is less advanced, and the product will be seen as innovative. In the last phase, the product will already have become a standardized product in the home market and in order to lower costs of production, the production will shift to a foreign market. The firm owning the product will then re-import it to their domestic market for sales.

2.2.2 Behavioral theories

2.2.2.1 Internationalization process

While the theories above aim to explain *why* firms internationalize, there are several other theories on *how* firms internationalize. The internationalization process theories all try to explain different aspects of export behavior. They do not just address various market entry strategies, but also consider further strategy development for the future.

Since the late seventies, the internationalization process has been regarded as an incremental process with multiple stages. Just like there are numerous theories on why firms internationalize, there are numerous internationalization process models highlighting different aspects and stages of the process. Common for all, they are characterized by greater engagement and dedication to international activities, and they give an explanation of typical patterns of behavior connected to each step of the process. Christofor (2008) brings about an example of a situation of acquiring information; there are large differences between a company exporting for the first time, and another company that maybe is about to expand into their fourth foreign market. An internationalization process model may consist of three to seven stages, depending on the researcher(s) behind the model. The stages can broadly be described as follows: first the firm is devoted to introductory activities, when the decision to internationalize has been taken, the primary stages to exporting comes. The next stage, when the market entry is done, is gaining a certain level of export experience (Cavusgil, 1984).

Although there is an abundance of models on the internationalization process, there seems to be no clear agreement in the literature as to which model that outlines the process the best (Miesenbock, 1988). However, in this thesis our focus will be on the Uppsala Internationalization Model by Johanson & Vahlne (1977) and the Network theory. First the model will be addressed and examined, and later it will be connected and compared to the characteristics of modern-day internationalization.

2.2.2.2 The Uppsala Internationalization Model

The Uppsala Model is one of the most important models in the field of bounded rationality to this day (Prange & Verdier, 2011). Johanson & Vahlne (1977) based their model on Cyert & March's (1963) and Aharoni's (1966) works, in addition to Penrose's (1959) approach, where she explained firm growth based on the resource-based view. The

Uppsala model emphasizes firm's development and how firms react to different foreign markets and entry modes over time. With that in mind, Johanson & Vahlne (1977) describes internationalization as a gradual process depending on the specific firm's knowledge of foreign markets. The researchers found that when firms internationalize, they often follow a clear, set pattern of steps. As firms proceed into foreign markets, with an increased resource commitment, and while applying different entry modes and choosing different paths, they still follow a set pattern. They also noticed that the uncertainty many firms felt regarding establishing foreign operations in markets abroad decreased as the management was able to acquire the right information. Johanson & Vahlne (1977, p. 28) even argue that "the better the knowledge about the market, the stronger the commitment". This substantiates their explanation of internationalization as an incremental process depending on foreign market knowledge. In other words, there are two independent variables that determine the stage of internationalization – commitment and knowledge. The two concepts of state and change (in figure 2 below) will mutually influence each other throughout the entire internationalization process. As opposed to other theories on internationalization, the Uppsala model takes dynamic, static, and observable components into account (Kutschker & Schmid, 2004). By doing so, the model gives a dynamic overview of the process.

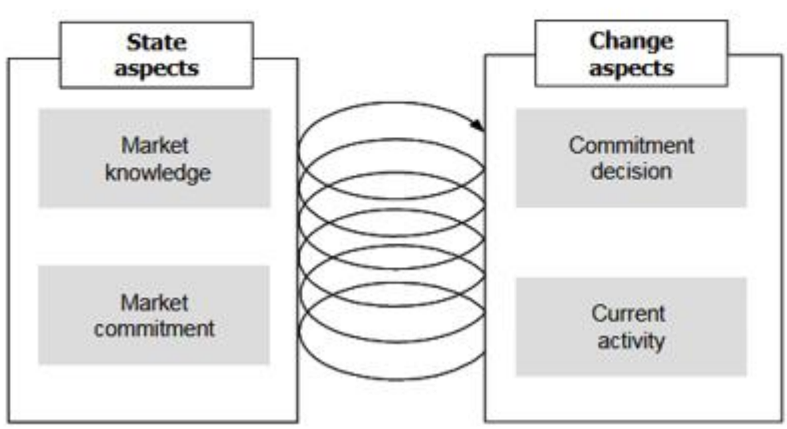

Figure 2. The basic mechanism of Internationalization. The two dependent variables - knowledge and commitment. Source: Johanson & Vahlne (1977, p.26) slightly modified by Christofor (2008, p.62).

However, the model is based on the premise that firms already are established in their home country before deciding to expand into foreign markets. The decision to expand only arises after a certain point of experience and knowledge has been reached in the domestic market. A consequence of this underlying assumption is that the form of internationalization explained in the Uppsala model is a very time-consuming process (Johanson & Vahlne, 1977).

Psychic distance is a key concept in the Uppsala model. Beckermann (1956) was the pioneer on the field, as he found that countries mainly trade with neighboring countries. Johanson & Wiedersheim-Paul (1975) took the psychic distance concept further as it was used to understand the internationalization pattern of firms. According to Johanson & Wiedersheim-Paul (1975), psychic distance is the difference in factors such as culture, political systems, degree of educational and industrial development, language, economic systems etc. between a firm's home country and a foreign country. One might think that two countries that are geographically close are close in their psychic distance, but this is not always true. In countries where the economic systems are very different, the psychic distance will be large, and thus more difficult to bridge without the right information.

The very first international market entry begins the process of greater commitment. Going from no previous export activities, to exporting via individual agents, then in the next step moving to licensed sales agents and ending up with establishing a subsidiary. However, it is worth mentioning that an increased resource commitment does not necessarily entail an increased commitment to said market, it could be a part of a determined financial strategy. Johanson & Vahlne (1977) indicate that firms enter new markets gradually, they choose markets similar to their domestic one before branching out to other markets with larger differences in e.g., culture, language or factors related to the flow of information available to the firm. Steen & Liesch (2007) state that factors related to a potential disruption of flow of information to the firm could be overcome if the firms increase their practical knowledge of corresponding markets.

The Uppsala model stresses the critical role of acquiring information along firms' gradual internationalization process. By following this approach, the uncertainty levels in relation to establishing operations in foreign markets will subside. This is still very much relevant today; firms need to continuously acquire information in order to make the best decisions, both referencing their strategic decisions and their entry modes when expanding their business. To sum it up, the model teaches us about learning and commitment building, while also describing the interplay between acquiring knowledge and increasing commitments in new markets.

2.2.2.3 The Network theory

Network theory emphasizes how a company engages in interorganizational and interpersonal networks (Axelsson & Easton, 1991). A network is defined as a set of relationships; these networks cannot be analyzed properly without having a clear understanding of which type of relationship one deals with (Ratajczak-Mrozek, 2017). Examples of such networks include stakeholder groups like consumers, suppliers, competitors, and acquaintances (Solberg & Askeland, 2006). Here, organizational boundaries are no longer limited to the boundaries of a single company but are applied to all formal and informal relationships that exist outside of the firm (Solberg & Askeland, 2006). The actors in a network are interdependent of each other and interact with each other correspondingly. Following this, firms are able to have a higher degree of internationalization without having large amounts of specific assets in foreign markets. Over the past decades, Network Theory has grown as a distinct school of internationalization, originating from elements of incremental theory (Johanson & Vahlne, 1992). Markets and industries are regarded as networks of relationships (Johanson & Mattsson, 1987,1988; Axelsson & Easton, 1991; Håkansson, 1989), and companies are dependent on other resources within the network. Such as customer and supplier relationships.

Firms have increasingly sought external resources due to rising complexity, both internal and external (Contractor & Lorange, 1988; Hagedoorn, 1995). Relationships enable firms to gain access to external resources (Holmlund & Kock, 1998), and in many cases, these relationships are developed over time (Solberg & Askeland, 2006). Johanson & Mattsson (1988) suggest that the success of a foreign entry is determined by its relationships within a specific market rather than by cultural and market-specific characteristics (Solberg and Askeland, 2006).

According to Solberg & Askeland (2006), Network Theory considers organizational skills. If a company lacks in-house capabilities, it should pursue cooperative solutions to obtain these capabilities. This is especially relevant in the increasingly complex business environment today, where many industries are under pressure for scale and/or scope. Furthermore, Solberg & Askeland (2006) claims trust is a key factor for success within Network theory and states that trust can be ensured through a variety of processes, such as contracts and agreements (Granovetter, 1985), legislation (Zucker, 1986), or long-term relationships. With trust as the basis in a relationship, a company may rely on information provided by a partner and obtain it at a lower cost than what is available in the market (Granovetter, 1985).

The Network theory is suitable for companies that operate in a global market but have a low level of preparedness. Low level of preparedness implies that a company lacks one or more dimensions of internationalization readiness, such as foreign market knowledge, dedicated and skilled managers/employees, market position, or a stable financial base (Solberg & Askeland, 2006). These companies must urgently combine internal capabilities with resources from outside the company (Solberg & Askeland, 2006). This may be the case for born globals, a new company that establishes itself in an already globalized industry (Oviatt & McDougall 1994,1997; Knight & Cavusgil 1996; Shama & Blomstermo, 2003), or the latecomers in the internationalization process (Johanson & Mattson, 1988).

2.2.3 Summary

As portrayed above, there are a lot of theories on the reasons behind *why* firms internationalize. While the classical organizational theories of Hymer (1960) and Williamson (1975) work well in explaining the steps of why more mature firms decide to internationalize, they come a bit short regarding young firms. Most of the research done on monopolistic advantage and transaction cost have been centered around larger multinational enterprises. However, Casson (1982) stood firm in claiming that the internalization theory was most applicable to younger firms, yet many scholars reckon it to be just as relevant for large firms. Bell (1995) stated that younger firms internationalize because they want to reach new markets. Bloodgood et al. (1996) proclaims that one cannot fully explain the reasons behind younger firms' decision to internationalize as they could base their decision on other criteria than the larger corporations. Meckl and Schramm (2005, p. 1) follow the mindset of Bell (1995) and Bloodgood et. al (1996) and note that some young firms will establish their specific advantage in the international market, without growing bigger and establishing themselves in the home market first, thus going international from day one. Just like the theories of Hymer (1960) and Williamson (1975) came short in explaining younger firms' reasons for internationalizing, so does Dunning's eclectic theory of international production. While larger corporations seem to have an abundance of resources, this is often not the case for young firms. In many cases it may seem that Dunning’s theory would better fit the later stages of the internationalization process. However, the OLI framework gives a good overview of the different outcomes of the internationalization process. Knickerbocker’s oligopolistic reaction theory has also received mixed critiques. Meckl and Schramm (2005, p. 11) are in a dispute regarding if the theory brings insights into how international competitive environments develop. Vernon’s (1966) PLC theory is not as applicable to the market conditions today, as it was back in the seventies. In fact, Vernon himself ended up criticizing his own model (Christofor, 2008). Like Bell (1995), Bloodgood et al. (1996) and later Meckl & Schramm (2005, p. 13) mentioned, small, young firms are not necessarily active in their home market before exporting, and the timeframe between introduction and maturity of products have changed significantly.

The Uppsala Internationalization model has been one of the most discussed internationalization process theories. The theory has had a substantial impact on how researchers explain the dynamic evolution of internationalization, however the world and how we do business has drastically changed since the 1970s. Steen & Liesch (2007) points out the problems surrounding gradual internationalization. The Uppsala model is based on firms' gradual process of learning and accumulating knowledge. This is at odds with firms’ internationalization patterns today. Now, firms often skip the steps related to international commitment in markets with increasing psychic distance, others are “born globals", being international from day one (Steen & Liesch, 2007). Johanson & Vahlne (2003) have commented that the increasing global competition and the high-pace technological development now force firms to internationalize more quickly. Thus, the older models of a gradual internationalization process are no longer that valid. The lack of market knowledge in the model is also criticized by many (Axinn & Matthyssens, 2002; Steen & Liesch, 2007; Figueira-de-Lemos et al., 2011; De Villa et al., 2015). However, this has been somewhat excused by the limited published literature on the field a few decades back.

While the Network theory has grown as a popular internationalization theory over the past decades, it has its downfalls. One of them is that with a network made of many different actors it may be quite difficult to structure the network. With such a large group, the network may run into problems with very dissimilar parties (Håkansson & Johanson, 1992, in Johanson, 1994). The firms may also face problems of becoming dependent on e.g., unreliable suppliers, which could lead to high-risk situations (Hollensen, 2001).

Based on the description, discussion, and summary above, we have chosen the Eclectic Theory of International Production, the Uppsala Internationalization Model, and the Network theory as our main underlying internationalization theories for this thesis. While the theories have their weaknesses, they also have aspects that contribute significantly to our understanding of the internationalization process and pattern today.

2.3 Potential risks associated with the internationalization process

While the theories listed above explain the internationalization process and the advantages and opportunities firms may find during the process, it is important to note that there are certain risks associated with embarking on such a journey, and firms could run into some real problems. It is not without reason that the internationalization process of a firm has been known to be a journey into the unknown (Blomstermo et al., 2004). No matter what the motivation for expanding abroad is, market-seeking, resource seeking, efficiency seeking etc., the firms will come across challenges. The liability of foreignness could be a difficult obstacle to overcome. Cuervo-Cazurra et al. (2007) unveiled several difficulties pertaining to internationalization, which they further classified into three specific categories: 1) Loss of an advantage, 2) Creation of a disadvantage, and 3) Lack of complementary resources. The first category emphasizes problems firms may run into if the firm is not able to transfer an advantageous resource they had at home, into the new country/market. When firms move their activities abroad, it becomes more difficult to understand and identify sources of advantages, as an advantageous resource at home may not be a supported advantage elsewhere (Cuervo-Cazurra et al., 2007). The inability to create value falls under the same category. Sometimes a firm may enter into a market where everything is different from the industry, environment, and culture at home. In such cases, a firm could potentially fail to transfer any of their previous advantages to the new market. This is an extreme case, which in most situations will be avoided, however, if a firm does not plan its international expansion properly, or maybe overestimate the value it can bring to the table, this is a possible scenario (Ricks, 2000).

The second category underlines the possibility of resources becoming a liability. Depending on the internationalization method and number of resources transferred, a firm may run into problems with resources becoming disadvantageous when moving abroad. This disadvantage of transfer could potentially conflict with other resources in the new facility, and in the most extreme case destroy value created by other resources. Another possible disadvantage occurring is the disadvantage of foreignness. This disadvantage is linked to national origin, and firms may face this as soon as they decide to cross the national borders, depending on how far the home- and host-country are from each other regarding political relations (Cuervo-Cazurra et al., 2007). There are two types of disadvantages of foreignness: government-based disadvantages of foreignness and consumer-based disadvantages of foreignness. Here, the government has the most power, as they easily could discriminate against a firm based on their country of origin and following has the ability to block a firm's operations. The consumers do not have the same power, but they can hinder the sale of products, thus lowering the revenue and potentially raising other costs.

The third and last category discusses lack of complementary resources. The following points are directly linked to how successful an internationalization process could be. The first point mentioned is the liability of expansion. In the beginning of the internationalization process, firms often experience an increase in the scale of their activities (Cuervo-Cazurra et al., 2007). This additional activity leads to a new level of complexities for the firms. In some cases, this new level of complexities could disrupt the overall operation of the firms, not just the operations abroad. Firms who are used to operations on a larger scale, will in many instances be better suited to overcome this hindrance as they already have developed experience with coordination of larger operations (Cuervo-Cazurra et al., 2007). Expanding firms also face the liability of newness. When firms expand into new territories, the competitive environment could differ significantly from the one at home. A firm may need some additional resources to be able to compete in the new environment. In cases where a firm lacks a resource, it may be easier to acquire the resource needed in the host market, rather than internally developing it, or acquiring it from another domestic firm. Other factors such as legislation, culture, religion, political and economic systems, institutional environment, and language will also affect a firm when it expands abroad. Before a company decides to expand into a new country, they should make sure they have the right complementary resources available, so they do not run into trouble understanding the host-country’s way of doing business, their culture and/or social capital. If they do not have these complementary resources, the company may run into difficulties. If firms are to succeed abroad, it is highly important that they can overcome this liability of foreignness. Occasionally, firms may run into difficulties regarding the liability of infrastructure. In this case, it is not the firms’ fault, but the consumers. However, these difficulties could have a huge impact on the firms' performance. To ease the risk of running into problems with the infrastructure, firms should try to produce/sell products that are stand-alone or simple to use. Consumers will be able to use these products, without needing to make additional investments in complementary assets (Cuervo-Cazurra et al., 2007).

As mentioned above, there are several risks connected to internationalization. In addition, one must be aware that the internationalization process is time-consuming and could cost a lot for the companies. Firms who decide to internationalize, are exposed to higher risks, which again may result in a higher probability of experiencing financial trouble (Singh & Nejadmalayeri, 2004). Thus, a firm may not see immediate results of their expansion abroad, both financial and otherwise, and it can be time-consuming to lower their overall cost of capital. How smooth the internationalization process may be, could also depend on how long the firm has been in operation and the size of the company.

2.4 Norwegian firms and Internationalization

According to Hodne (1993) the internationalization of Norwegian firms is a rather new phenomenon. While Norway has operated as an open export-oriented economy since the twentieth century, the country has been deemed as a latecomer in terms of foreign direct investments (Amdam, 2009). In 1976, Norwegian firms only employed 20,000 abroad (Smukkestad, 1979). However, the situation has changed in the past forty years. But let us go back to the beginning. The first internationalization period in Norwegian history was rather isolated (Amdam, 2009). In the early 1900s attempts of establishing subsidiaries in central areas of Europe were made, but many of them were closed after a few years. Other investment efforts were made too, but with varying degrees of success. Nonetheless, a certain number of firms made it through, and these early investments became the symbol of a lengthy period of internationalization. After World War II Norwegian firms once again wanted to expand and invest abroad, but given the circumstances, very slowly. Since then, the development has gradually increased.

Benito & Gripsrud (1992) studied the internationalization of Norwegian firms. They argue that there is no significant support for a clear pattern between the Uppsala Internationalization Model and Norwegian firms before 1982. Since they did not find any support for the theory, Benito & Gripsrud (1992) suggest that choice of location is based on rational choices, instead of a choice based on any type of cultural learning process.

Amdam (2009) challenges Benito and Gripsrud (1992) statement and argues that the late 1960s should mark a turning point for the internationalization of Norwegian firms. Furthermore, Amdam (2009) refers to strongly increased internationalization activities from the early 1980s.

Today, companies such as Innovation Norway help Norwegian firms with international and global ambitions to grow. Now, more than ever, firms (especially in the SME category) have international aspirations from day one. And as opposed to the early to mid-1900s, today the internationalization strategies of different firms need to be able to change at a rapid pace. Therefore, it is very useful to have companies such as Innovation Norway to help firms in such situations. Innovation Norway offers e.g., strategic advice and operational assistance during their internationalization process (Innovation Norway, 2019).

At this point we have defined and discussed internationalization and looked at a selection of relevant theories on why and how firms internationalize. We have also given a brief description of the history behind Norwegian firms' internationalization process. Now we shift our focus towards corporate social responsibility (CSR). With a rapidly increasing internationalization process, not just in Norway, but across the globe, and a higher focus on the need for both individuals and firms to take their part in bettering the world and our nearest community, the term "corporate social responsibility" has gained a foothold in society. In the following subchapters we will discuss the history and theories behind CSR, the future of CSR, and CSR in Norway.

2.5 Corporate Social Responsibility

The focus on Corporate Social Responsibility began, according to Carroll (2008, p. 20), with activities and practices that originated during the Industrial Revolution. Emerging businesses in the mid-to-late 1800s were clearly concerned about their employees and how to make them more efficient workers, as well as the concern for the society (Carroll, 2008, p. 20-21). However, while the concept "corporate social responsibility" has a long history, it is primarily a term that appeared in the early 1950s. According to Carroll (2015), CSR was often referred to as social responsibilities (SR) during this period.

The modern literature on CSR began in 1953, when the American economist Howard Bowen published his book "Social Responsibilities of the Businessman". Bowen is seen as the "Father of Corporate Social Responsibility" (Carroll, 1991; Blindheim & Langhelle, 2010), as his book provided the initial definition: “It refers to the 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” (Bowen, 1953, p. 6). Bowen believed that large companies were the centers of power and decision making, and that in that context they had an impact on people's lives (Carroll, 1999), and that “businesspeople had obligations to pursue policies, decisions and actions that were seen as desirable by society” (Carroll, 2015, p. 87).

Attempts to formalize what CSR means, increased significantly during the 1960s. Keith Davis, a well-known author of CSR textbooks and articles during this period, became prominent because of his viewpoint on the relationship between social responsibility and business power. Davis (1960 p.70) defined social responsibility as “businessmen’s decisions and actions taken for reasons least partially beyond the firm’s direct economic or technical interest”. Furthermore, Davis (1960) argued that the concept of social responsibility was rather unclear, but that it should be seen in a management context. He emphasized that certain socially responsible business decisions would result in long-term economic benefits, benefiting both the owners and society, which is very interesting since this view became commonly accepted in the late 1970s and early 1980s (Carroll, 1999). Davis also discussed that if the relationship between being socially responsible and power were somewhat equal, then social influence would be lost, and the organization's reputation would be further diminished if the organization failed to take social responsibility (Davis, 1960). Carroll (1999) considered Davis' contribution to CSR to be so important that he proposed him as a runner-up to Bowen for the title of "Father of CSR".

Joseph W. McGuire was another contributor to CSR in this era with his book ‘’Business and Society’’ (1963) where he defined CSR as “The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations” (McGuire, 1963 p. 144). Later, Bowen (1963) extended his definition, stating that the company must be interested in politics, the welfare of the community, education, the ‘happiness’ of its employees, and, in fact, the entire social world around it (Carroll, 1999).

Several social movements influenced the 1960s, which later helped formalize CSR through different legislations. Civil rights, women's rights, consumer rights, and a demand for environmental protection all developed to such a degree of activism that they became the most significant antecedents to the modern CSR movement (Carroll, 2015). As a result of these social movements, legislations formalizing business responsibilities were enacted, where the most important was the Civil Rights Act of 1964. Thus, Carroll (2015) considers this period to be the beginning of the modern CSR movement (Figure 3).

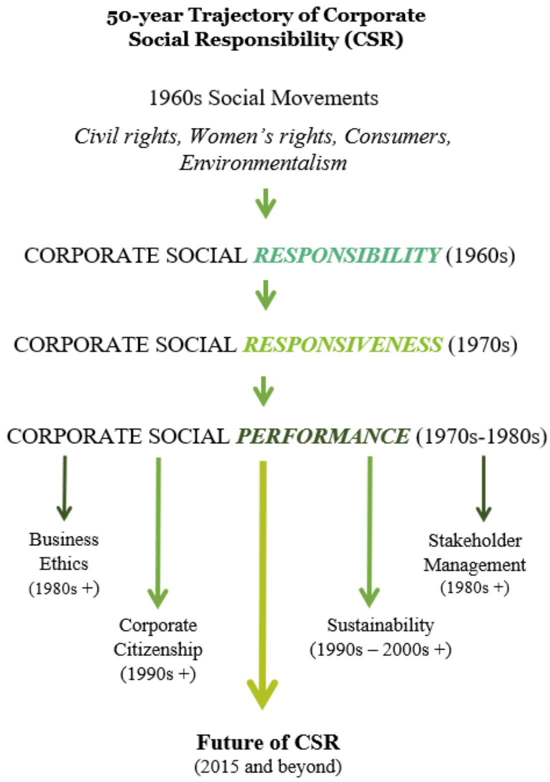

Figure 3. 50-year Trajectory of Corporate Social Responsibility. Source: Carroll (2015, p.91).

In 1970 Milton Friedman famously criticized CSR in his article "The Social Responsibility of Business is to Increase Its Profits". Friedman was very critical of companies having a social responsibility beyond their own profitability and argued that management only had one responsibility: to maximize the profits of its owners or shareholders (Carroll & Shabana, 2010). The main activity of management should therefore be to maximize profit for the owners while remaining within ethical and legal boundaries. This point of view was partly supported by Harold Johnson (1971, p. 54), he addressed different perspectives on CSR, such as "social responsibility states that businesses carry out social programs to add profits to their organization" and that "the prime motivation of the business firm is utility maximization; the enterprise seeks multiple goals rather than only maximum profits" (p. 59).

Despite the critique, CSR made significant progress in the 1970s and businesses entered a period that could be described as "managing corporate social responsibility" (Carroll, 2015). According to Carroll (2015) the social revolution in business gained traction in the 1970s, when businesses began to formalize and institutionalize their approaches to social and public concerns, whether out of enlightened self-interest, in reaction to regulatory requirements, or activist demonstrations. During this decade, several organizations were established, i.e., the Environmental Protection Agency (EPA), Consumer Product Safety Commission (CPSC), Equal Employment Opportunity Commission (EEOC), and Occupational Health and Safety Administration, as a response on the social movements of the 1960s and was seen as social legislations (Carroll, 2015).

According to Carroll & Shabana (2010), the 1970s was a decade where there was a continuous quest for a consistent meaning and interpretation of CSR. This resulted in the development of the alternative concepts, corporate social responsiveness, and corporate social performance. Frederick (1978, p. 154) first distinguished corporate social responsibility from corporate social responsiveness and referred to corporate social responsiveness as “the capacity of a corporation to respond to social pressures”. Corporate social responsiveness is an action-oriented form of CSR (Carroll & Buchholtz, 2009), meaning that companies actually respond to societal issues (Carroll, 2015).

“Dimensions of corporate social performance” were addressed by Sethi (1975), distinguishing between corporate actions that could be called ‘social obligation’, ‘social responsibility’ and ‘social responsiveness’. Sethi (1975, p. 70) described social obligation as “corporate behavior in response to market forces or legal constraints”. Social responsibility, on the other hand, extends beyond social obligation (Carroll, 1999) as Sethi (1975, p. 62) explains that it “implies bringing corporate behavior to a level where it is congruent with prevailing social norms, beliefs, and performance expectations”. According to Sethi (1975), social obligation is 'prescriptive in nature,' social responsibility is prescriptive and social responsiveness is ‘anticipatory and preventive’ (Sethi, 1975). Carroll (1991) states that the focus on social performance emphasizes organizational behavior and achievement in the social sphere. Furthermore, Carroll (1991) claims that from a performance perspective, companies must develop effective social goals and programs, as well as incorporate ethical sensitivity into their decision making, policies, and activities.

In 1979 Carroll proposed CSR as a multilayered concept (Blindheim & Langhelle, 2010), he suggested a four-part description of CSR, which was embedded in a conceptual model of CSP (Carroll, 1999). Carroll (1979, p. 500) provided the definition: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. His main point was that in order for managers or companies to engage in CSP, they required “a basic definition of CSR, an understanding of the issues for which they had a social obligation, and a specification of the philosophy of responsiveness to the issues” (Carroll, 1979, p. 499).

Carroll revisited his four-part CSR definition in 1991. Now he was referring to the discretionary component as philanthropic, implying that it supported corporate citizenship (Carroll, 1999). The CSR pyramid depicted the economic category as the foundation upon which all others are placed, and then continued upward through legal, ethical, and philanthropic categories (Carroll, 1991). Carroll stated that businesses should not fulfill these in a sequential manner, but rather that each should be fulfilled at all times (Carroll, 1991). It should also be noted that the pyramid was intended to be a graphical representation of CSR, not an attempt to add new meaning to the four-part concept (Carroll, 1999).

Kang & Wood (1995) criticized Carroll's pyramid of CSR's hierarchy of responsibilities, stating that positioning economic responsibilities ahead of moral and ethical responsibilities increases the likelihood that social welfare will be discarded for economic ends. However, Carroll (1999) claims that many people today assume that a firm's economic component is something a business does for itself, while the legal, ethical, and philanthropic components are something it does for others. However, Carroll (1999) states that economic viability is something a firm does for society as well.

Clarkson (1999) criticized Carroll's conceptual model for its difficulty, challenges in testing it, and inability to advance the methodology in terms of gathering, organizing, and analyzing corporate data. Despite the criticism, Carroll's CSR Pyramid is perhaps the most well-known (Visser, 2006, p. 2) and accepted conceptualization model of Corporate Social Responsibility (Crane & Matten, 2007).

2.5.1 Business Ethics

In the 1980s, the interest of developing CSR definitions resulted in more research, simultaneously as alternative concepts such as business ethics and the stakeholder theory were established (Carroll, 1999). Business ethics became a popular framework (Carroll, 2015) and according to academic philosophers, business ethics grew in popularity as an academic field, based on moral philosophy (Carroll, 2015). From the perspective of practitioners and the general public, business ethics occurred to describe the illegal activities of companies and managers that were becoming more noticeable and offensive to everyone as media and technology grew (Carroll, 2015).

2.5.2 Stakeholder Theory

The stakeholder theory gained popularity in the mid-1980s, alongside the field of business ethics, and is still widely used today (Carroll, 2015). In 1984 Freeman (1984) published "Strategic Management: A stakeholder Approach", and this article is seen as a breakthrough in the evolution of the stakeholder theory. According to Freeman (2010) the basic insight of this publication was that stakeholder relationship was a more useful unit of analysis for thinking about strategy.

A stakeholder is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). The stakeholder theory discusses morals and values in managing an organization, it also argues that a firm should create value not just for shareholders, but for all stakeholders (Freeman, 1984). Freeman (1984) argued that if businesses are to be successful, they must create value for their customers, suppliers, employees, shareholders, and the community around them. It is also highly important that the stakeholders are considered together as a group, not in isolation, as their interests must coincide. The stakeholders of a business have an important position for a business that wants to succeed. Therefore, according to Freeman (1984) the idea of the stakeholder theory is to figure out where the interests of the groups go, and how one can get the groups interests to go in the same direction. Further, Freeman (2010) discussed how executives can think about strategy or strategic management if they started taking the stakeholder concept seriously or used it as the primary unit of analysis of whichever framework they used.

According to Carroll (2015) the stakeholder theory, or its more applied business notation, stakeholder management, is based on the premise that there are various constituencies, individuals, and groups, that have a stake or interest in business decisions and operations, similar to CSR. The relationship between stakeholder theory and CSR is depicted in Figure 4. The inner circle represents primary stakeholders, while the outer circle represents secondary stakeholders. The stakeholder theory and CSR are, according to Freeman & Dmytriev (2017), distinct concepts with some overlap. Both stakeholder theory and CSR emphasize the importance of integrating social interests into business operations, as businesses and culture are inextricably connected.

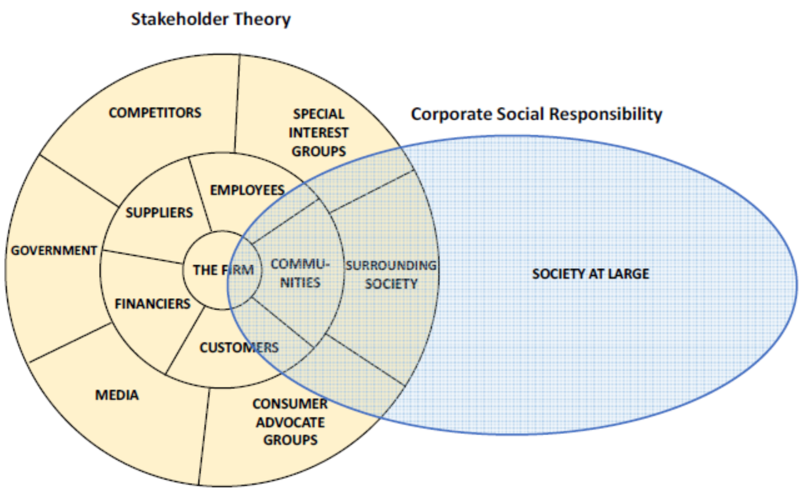

Figure 4. The relation between Stakeholder Theory and CSR. Source: Freeman & Dmytriev (2017, p.11).

2.5.3 Corporate Citizenship

According to Carrol (2015), Corporate Citizenship first emerged in business terminology during the 1990s as a more appropriate collective word that was often used interchangeably with CSR. At that time, there was no strong definition presented that clearly distinguished it from CSR. Furthermore, Carroll (2015) explains when considering corporations as members of their communities, corporate citizenship implies that these companies, like individuals, have certain obligations and responsibilities that must be met in order for them to be considered as legitimate.

Porter & Kramer (2006) mentions corporate citizenship as a part of the concept, Responsive CSR. Responsive CSR consists of two components: behaving as a responsible corporate citizen, becoming aware of stakeholders' emerging social concerns, and mitigating actual or anticipated negative consequences from business practices. Porter &

Kramer (2006) argues that good citizenship is an important component of CSR, and businesses must do it well. Further, they argue that many local charities depend on corporate contributions, and workers should take righteous pride in their company's meaningful involvement in the society. The best corporate citizenship initiatives go beyond just signing a check: they set specific, achievable targets and track progress over time.

2.5.4 Triple bottom line

John Elkington introduced the triple bottom line concept in 1998. The triple bottom line evaluates businesses on three aspects: economic, social, and environmental, compared to only reporting the economic bottom line which is the standard. The social and environmental reporting in this case illustrates a company's social responsibility.

Companies generally put a greater emphasis on the economic bottom line because they depend on profits to remain competitive in the market, but there are also considerations for environmental policy and social aspects. One potential disadvantage of the triple bottom line is that there is no protocol on how social and environmental measurements should be carried out, which leads to variation between how businesses report. When it comes to the businesses' own commitment to social responsibility, they can decide what to report on. Ditlev-Simonsen (2014) notes that organizations have a propensity to report on areas where they prosper, even though those areas may not be the ones where the firm has the greatest influence on culture and the environment.

Elkington (1998) argues that society is changing. Environmental and social responsibility are increasingly becoming important competitive factors. Further, he claims that businesses that successfully implement the triple bottom line would strengthen their market position. However, Elkington (1998) advises against using the triple bottom line only to boost the company's reputation.

2.5.5 Creating Shared Value

Porter & Kramer (2011) introduced a new concept, creating shared value. Creating shared value is described as developing new policies and procedures that enable the business to maximize its profits while also providing benefits to the surrounding societies. They argued that in guiding the companies' investments in their societies, creating shared value (CSV) should take priority over corporate social responsibility (CSR). While CSV is integral to a company's profitability and competitive position, CSR activities mostly concernes reputation and have only a limited relation to the company. Further, Porter & Kramer (2011, p. 16) claims “CSV leverages the company's unique resources and expertise to create economic value by creating social value”. The ability to create economic value by the creation of social value, according to Porter & Kramer (2011), would be one of the most powerful forces behind global economic growth. They are, however, confident that CSR is becoming increasingly important in achieving competitive success.

2.5.6 Sustainability

Sustainability and sustainable development were concepts that gained traction in the business world in the 2000s (Carroll & Shabana, 2010). The World Commission on Environment and Development (1987, p. 43) defined sustainable development as: “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. According to Carroll (2015), this is the most cited definition of sustainable development.

Porter & Kramer (2006) refers to sustainability as the ways companies should act to ensure long-term economic performance while preventing short-term socially and environmentally harmful behavior. Carroll & Buchholtz (2009) claims that the idea of sustainability is one of the most pressing business imperatives. The natural environment has been the focal point of sustainability discussions, but it is now a broader concept that encompasses all aspects of business operations and processes (Carroll & Buchholtz, 2009).

2.5.7 Future of CSR

Several similarities exist between business CSR, business ethics, corporate citizenship, stakeholder theory and sustainability. While there may have been a bigger difference between the concept at an earlier stage, the terms are often used interchangeably by both companies and managers today (Carroll, 2015). Nowadays, according to Carroll (2015), it seems that CSR, corporate citizenship, and sustainability have the most in common, and are the most often used concepts and frameworks for businesses.

Corporations' reputational risk increases as their global visibility grows, providing a clear incentive for them to carefully plan their corporate social responsibility and ethics programs everywhere they do business (Carroll, 2015). Today, consumers, employers, and the public perceive CSR to include practices that are not mandated by law, which are the activities incorporated in the ethical and philanthropic categories of Carroll's CSR pyramid. CSR can only be sustainable if it adds value to corporate success in today's world of fierce global competition. CSR has a bright future in the global business arena because society, not just business executives, has an increasingly important role in determining what constitutes business success.

2.5.8 Carroll's pyramid of Corporate Social Responsibility

Caroll's pyramid of CSR (1991) continues to be a cornerstone among the different models of CSR (Baden, 2016). Ma et al. (2012) argue that the pyramid is one of the most cited models throughout the CSR literature. In many cases, the pyramid of CSR has been a beneficial aid in the process of understanding the significance of CSR and how the different components of CSR should be applied (Baden, 2016). We have chosen Carroll's pyramid of CSR as the main CSR theory in our thesis.

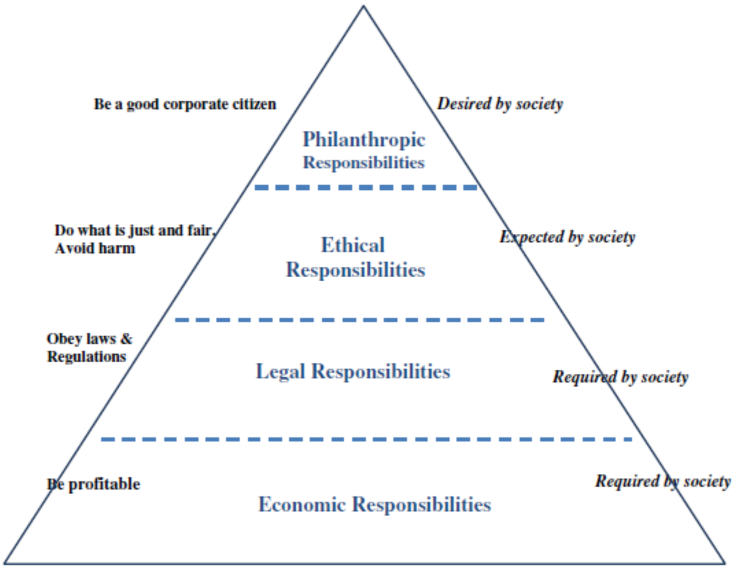

Figure 5. Pyramid of CSR. Source: Carroll (2015, p.5).

Carroll's pyramid of CSR (1991), shown in Figure 5, portrays the four components of CSR, which are economic, legal, ethical, and philanthropic responsibilities. While the economic and legal responsibilities are required, the ethical and philanthropic responsibilities are expected and desired by society (Carroll, 2016). The order of these components seeks to portray the fundamental nature of business's presence in society; it is also intended to be a dynamic and adaptable framework that focuses on both the present and future (Carroll, 2016). Businesses should strive to make profit, obey the law, engage in ethical practices and be good corporate citizens, a simultaneous fulfillment of these responsibilities entails the total corporate social responsibility (Carroll, 1991, 2016).

Economic Responsibilities

Businesses have an economic responsibility to society. It may appear strange to think of an economic expectation as a social responsibility, but this has occurred as a responsibility because society expects and requires businesses to be self-sustaining. However, this is only possible if the company is profitable and able to entice owners or shareholders to invest while also having enough resources to continue their operation. Carroll (2016) states that businesses make money by adding value, which in turn benefits all stakeholders.

Legal Responsibilities

The society set a minimum of ground rules the businesses are expected to operate and function within (Carroll, 2016). Laws and regulations are included in these ground rules that, in essence, embody society's understanding of "codified ethics" by articulating basic principles of fair business practices as defined by federal, state, and local legislatures (Carroll, 2016). As a condition of doing business, companies are requested and required to obey these laws and regulations.

Ethical Responsibilities

In addition to what is mandated by laws and regulations, society requires companies to operate and conduct their affairs ethically. When companies take on ethical responsibilities, they support activities, norms, standards, and practices that are expected, even though they are not codified into law (Carroll, 2016). It is not always easy to tell the difference between legal and ethical obligations. The ethical foundations of legal expectations are undeniable. However, ethical expectations go a step further. In essence, both have a clear ethical component or character, and the distinction is based on the mandate that society has provided business by legal codification (Carroll, 2016).

Philanthropic Responsibilities

Philanthropy includes all forms of business giving (Carroll, 2016) and refers to corporate actions taken in response to society's expectation that businesses are good corporate citizens (Carroll, 1991). The philanthropic responsibility is more voluntary for the individual businesses compared to the ethical responsibilities. What giving form businesses engage in and the quantity, is entirely up to the business itself. Society does not necessarily expect business giving, at least not morally or ethically, but by doing so the businesses demonstrate their good corporate citizenship (Carroll, 2016). According to Carroll (2016), philanthropy has always been, and continues to be today, one of the most important elements of corporate social responsibility.

2.6 Possible drivers and barriers of CSR

According to Laudal (2011), businesses that comply with specific national or international CSR-related requirements do not display CSR per se, as their actions are driven by the government's externality recognition, not their own. To qualify as CSR, there has to be an element of choice on part of the firm.

Laudal (2011) claims corporations invest in CSR if it may help them to improve or defend their public image, and that firms will adjust to findings in consumer intelligence reports as well as media coverage about their operation. Engaging in CSR activities may contribute to benefits of recruitment, increased motivation among employees and generally a better corporate culture (Jenkins, 2006), reputation building (Jenkins, 2006; Ditlev-Simonsen & Midttun, 2011), and increased business profitability as a result of strengthening reputation, increasing sales, and enhancing consumer loyalty (Rajput et. al., 2012). Waddock & Graves (1997) agree that focusing on CSR may lead to better profitability through improved reputation. Furthermore, Fry et al. (1982) argues that organizations who spend more money on CSR, tend to save money in other areas, i.e., the corporations who invest more in CSR, spend less on advertising. This argument is supported by Jørgensen & Pedersen (2013), they claim that social responsibility does not need to have an impact solely on society and its stakeholders. According to Jørgensen & Pedersen (2013), engagement with social responsibility can influence the company's profitability in two ways: directly or indirectly. This can include things such as reputation, brand value, partners, and so forth. However, according to Jenkins (2006) it is a big challenge for firms to measure the precise benefits of CSR.

Laudal (2011) argues that MNEs have options that SMEs do not have due to their size. In the following, a Small-Medium Enterprise (SME) is defined as a company with less than 250 employees (EU Commission, 2020), and a multinational enterprise (MNE) is defined as a business with activities in at least two countries (OECD, 2000). A cost of one percent of turnover in a MNE, may enable a MNE to hire specialists responsible for its CSR activities and participate in demanding social accounting schemes, whereas the same percentage in a SME is not sufficient enough to make any lasting impact. Several studies (Jenkins, 2006; Williamson et al., 2006; Tilley, 2000) supports the idea that MNEs are more involved in CSR activities than SMEs, because SMEs lack financial resources to fund CSR activities.

Another disadvantage pertaining to SMEs is that they are often involved in the same complex supply chain and the same industry as MNEs. The problems of monitoring supply chains are substantial for SMEs with a varied product range. According to Cramer (2008), SMEs with a diverse product range typically restrict themselves to monitoring products that may present risks or are strategically important.

Due to a lack of knowledge and monitoring capacity of their market environment, SMEs may be discouraged from engaging in CSR or may be unable to engage in CSR. According to Lepoutre and Heene (2006), SMEs acknowledge CSR concerns to a lesser extent than MNEs. Without the ability to gather and analyze relevant information, SMEs would be deprived of a significant motivation to participate in a wide range of CSR-related activities. Furthermore, if a lack of capability is obvious, it may serve as a justification for SMEs to not participate in CSR (Laudal, 2011).

Several studies have found that the level of CSR activities in SMEs are highly reliant on the firm's owner or manager (Spence, 1999; Murillo & Lozano, 2006; Jenkins, 2009). Ditlev-Simonsen and Midttun (2011) studied the motives that drive managers in Norwegian firms to engage in corporate social responsibility. According to their findings, there are 10 primary motivations as to why Norwegian business executives prioritize corporate social responsibility (Appendix G). Interestingly, their research found that instrumentality prevails as a CR motivator, with branding and reputation-building being the most important CR drivers. Ditlev-Simonsen & Midttun (2011) further claims that this is most likely due to the strong brand orientation in Western business practice, as well as its connection in the world of media and communication.

2.7 Corporate Social Responsibility in Norway

The Norwegian economy was based on timber, agriculture, hunting and fishing in the pre-industrial period. The small scale of these operations meant that there was little wealth in Norway compared to the development in Europe (Ditlev-Simonsen et. al., 2015).

Following the signing of the Norwegian constitution in 1814, a market economy system was established at the request of public-sector workers. The first Norwegian prime minister advocated for a modification of market liberalism that would take societal interest into account (Slagstad, 2001). Thus, in the form of governmental directives, an early important CSR driver in Norway was present (Ditlev-Simonsen et. al., 2015).

A national workers' union and a national employers' federation were formed in 1899 and 1900. As a result, a specific sort of corporatism developed. The basic idea was that competing and shared interests had to be balanced, an opinion that has largely prevailed in Norwegian industry since then (Kjelstadli, 1998). In 1935 there was established an agreement, rules for conflict resolution, between the national workers' union and the national employers' federation (Ibsen, 1996). As stated by Ditlev-Simonsen et al. (2015, p.180), since the sides were considered as social partners, it provided business legitimacy and served to suppress some of the radical tendencies among workers. In 1935, new law and social welfare programs were implemented and established, signaling a period of social renewal (Lange, 1998).

After the discovery of oil in the North Sea in 1969 the Norwegian economy grew rapidly. Norway's oil fund, formally known as the Government Pension Fund Global, was created. This is an important institutional feature of the Norwegian public CSR policy (Gjølberg, 2010). The fund was created to protect the economy from the ups and downs of oil revenues, additionally it functions as a financial reserve and long-term savings plan, ensuring that our oil revenues benefit both present and future generations. It was decided that the company would only invest overseas, and now it owns almost 1.5% of all shares in the world's listed companies, making it one of the world's largest funds (NBIM, 2019). The Norwegian Parliament and the Ministry of Finance established guidelines for the fund's management and assigned responsibility for its management to Norges Bank. The Ministry of Finance has established an independent Council of Ethics to conduct ethical evaluations of businesses, and to further do responsible investments. Norway's oil fund has clear expectations of the businesses in which it invests in, and it considers governance and environmental issues. They are concerned with being aligned with society's increased expectations of companies, while still keeping the investor's profitability demand in interest (NBIM, 2019).

The Norwegian government has taken on an active role in placing CSR on the agenda (Ihlen & Høivik, 2013), and Norway played an early CSR leadership role as The Norwegian Ministry of the Environment, founded in 1972, was the first in the world of its kind (Ditlev-Simonsen et al., 2015, p. 178). Gro Harlem Brundtland served as Norway's prime minister for three terms, during the 1980s and 1990s, and as Norway's Minister of Environment (1974 to 1979). In 1983 she was invited to establish and chair the World Commission on Environment and Development, also known as the Brundtland Commission. The commission worked to establish the broad political idea of sustainable development, and its report “Our Common Future” was published in April 1987. The term "sustainable development" was used for the first time in this article (FN, 2019). Since Brundtland was head of this UN commission, it was necessary for Norway to be a good role model for other countries and a front-runner in CSR - both in terms of the environment and other social issues (Ditlev-Simonsen et al., 2015, p. 178).

The Norwegian government established KOMpakt, the “Consultative Body for Human Rights and Norwegian Economic Involvement Abroad” in 1998, which is the Government's consulting body on matters relating to corporate social responsibility (Måseide, 2014). The main objective of KOMpakt is strengthening the government's policy-making and decision-making framework for corporate social responsibility, with a focus on foreign issues, as well as strengthening engagement between the government, industries, special interest groups, and academia on key issues relating to corporate social responsibility (Måseide, 2014).

Gjølberg (2010) argues that CSR has been framed by the Norwegian government as a more normative, value-based argument, where CSR is seen as a way to help developing countries improve their social, environmental, and economic conditions. Although Norway's institutional framework provides strict guidelines for corporate social responsibility, there are changes indicating a shift toward more self-regulation in the business sector.

Regardless of whether Norwegian businesses operate in Norway or abroad, the Norwegian Government expects all businesses to act responsibly. The UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the UN Global Compact are the cornerstones of the Norwegian government's CSR policy. All businesses are expected to obey these guidelines, and the enterprises where the Norwegian state has an ownership share are expected to be leaders of CSR in their respective fields (Måseide, 2019).

Large businesses and public-interest organizations involved in the extractive industry or primary forest logging are required to report on a country-by-country basis to prevent tax evasion and the use of tax havens to hide financial details. In recent years, Norway has also signed a number of new bilateral tax information sharing agreements. The development of corporate social responsibility requires transparency and disclosure (Måseide, 2019). Large businesses, which include approximately 700 firms in Norway (Ditlev-Simonsen et al., 2015, p. 188) are required, by the Accounting Act, to report their CSR activities. For all other businesses this is voluntary. According to KPMG (2020, p. 15), 77% of Norwegian businesses report their CSR activities.

Furthermore, requirements for public disclosure are becoming more regulated, and the EU's work in this area may result in the creation of regulations that are relevant to Norway (Måseide, 2019).

However, much of what falls under the CSR umbrella in other countries is already regulated by Norwegian law. This is especially relevant to worker rights, environmental concerns, working conditions, and security issues (Grenness, 2003; Munkelien, et al., 2005). Companies may therefore be rest assured that they already meet several CSR requirements because of the Norwegian law (Ditlev-Simonsen et al., 2015, s. 182).

2.7.1 Norwegian Firms and CSR

The strength of the Norwegian approach of CSR lies in seeing business as having a decisive role in society, whether it is a modern form of paternalism or the spirit of collaboration and dialog-based partnering with employees. The reasons often given are not profit maximization, but profit generation through the development of social and ethical skills in the entire workforce (Ihlen & von Weltzien Høivik, 2015).

While Norwegian law requires adherence to social laws that favor the individual, there is still room for companies to distinguish themselves by being socially innovative (Ihlen & von Weltzien Høivik, 2015). Thus, one central premise of CSR in Norway is that businesses who commit to CSR do so voluntarily (Willums, 2005, p. 46).

In Norway firms often consider themselves as embedded in their social communities. They respond to local needs without necessarily labeling such initiatives as CSR (Byrkjeflot, 2003). There are various examples of “CSR-driven strategies” for the individual businesses where their choices are not legally required but voluntary, e.g. implementing a corporate policy that promotes the triple bottom line.

The international attention to corporate social responsibility in Norway is recent, however, the debate about the firms’ role in broader social development is not (Norwegian Research Council, 2004, p. 23). A cornerstone corporation is a known phenomenon in Norway, which is a large company compared to the society in which it is situated, and thus important for employing workers, supporting local organizations, and developing the local community (Rudi, 2020). Thereby, companies have acted responsibly towards the local community in Norway throughout history. However, increased internationalization has brought about new challenges for the businesses in terms of their responsibilities, and what they should do for society (Norwegian Research Council, 2004, p. 11). In countries where the markets are not very regulated, the relative importance of enterprises and their corporate social responsibility increases. The corporate social responsibility of a firm will thus depend, among other things, on which markets they operate in.

2.8 Summary

As mentioned above there are a lot of theories on *why* firms choose to internationalize. In this chapter we have made a brief overview of the theories we find most relevant to our thesis, from Hymer (1960) and Vernon (1966) to the later works of Knickerbocker (1973), Dunning (1979;1980), Rugman (1980;1985), and Willamson (1985). We then moved on to discussing the internationalization process. Here, the Uppsala Internationalization Model and Network theory were reviewed. We found that although the Uppsala Model still is of relevance today, certain steps of the described process are no longer applicable, because of the rapidly increasing pace of the internationalization process. Additionally, firms no longer have the same problems related to lack of available information, as one might have had a few decades ago. The Network theory describes the interactions within networks, and relationships formed between companies (Ratajczak-Mrozek, 2017). The activities and resources of companies are either directly or indirectly embedded in numerous relationships, e.g., social, territorial and/or interorganizational relationships. These networks become crucial for firms with international activities, as transfer of knowledge and identification of new opportunities often takes place within such groups. If firms are to succeed in their international business endeavors today, it would be wise to establish a plethora of both inward and outward interorganizational connections. In many cases, foreign expansions and development of international operations may be easier realized through being either directly or indirectly embedded or connected to various networks. We ended the part about internationalization by taking a look at the history of Norwegian companies and their internationalization processes. Although Benito & Gripsrud (1992) and Amdam (2009) disagree on where to set the turning point for when Norwegian businesses successfully began to expand abroad, they do agree that there has never been a very clear pattern of the specific internationalization process.

In the following paragraphs we moved on to discussing CSR. The concept "corporate social responsibility" has a long history. The term appeared in the early 1950s by Howard Bowen in his publication “Social Responsibilities of the Businessman”. Over the course of CSR’s history, there have been numerous attempts to define what it means.

Several social movements helped formalize CSR through different legislations, where the most important was the Civil Rights Act of 1964. CSR made significant progress in the 1970s, the continuous quest for a consistent meaning and interpretation of CSR resulted in the development of the alternative concepts, corporate social responsiveness, and corporate social performance. In 1979, Carroll proposed to make CSR a multilayered concept, suggesting a four-part description of CSR. Carroll’s pyramid of CSR (1991) portrays the four components: economic, legal, ethical, and philanthropic responsibilities. While the economic and legal responsibilities are required, the ethical and philanthropic responsibilities are expected and desired by society. Carroll stated that businesses should not fulfill the components in the pyramid in a sequential manner, rather, each should be fulfilled at all times. To this day, Carroll's CSR Pyramid is perhaps the most well-known and accepted conceptualization model of corporate social responsibility.

As Freeman (1984) claims that the main purpose of action is to create value for stakeholders, we connected the stakeholder theory to CSR. Then we moved on to addressing different concepts and perspectives of CSR over the years. Business ethics, corporate citizenship, and sustainability have become terms often used interchangeably with CSR. CSR has a bright future in the global business arena since society, not just the business executives, becomes increasingly important in determining what constitutes business success.

Businesses invest in CSR if it may enable them to improve or defend their public image, according to Laudal (2011). Engaging in CSR activities may provide different advantages, including reputation building (Jenkins, 2006; Ditlev-Simonsen & Midttun, 2011) and increased business profitability as a result of strengthening reputation (Waddock & Graves, 1997), increasing sales, and improving consumer loyalty (Rajput et. al., 2012). Jørgensen & Pedersen (2013) states that engagement with social responsibility can influence the company's profitability in two ways: directly or indirectly. However, according to Jenkins (2006) it is a big challenge for firms to measure the precise benefits of CSR.

Laudal (2011) argues that SMEs do not have the same options that MNEs have due to their size. Several studies (Jenkins, 2006; Williamson et al., 2006; Tilley, 2000) supports that MNEs are more involved in CSR activities than SMEs as SMEs lack the financial resources to fund CSR activities. Several studies have found that the level of CSR activities in SMEs is highly reliant on the firm's owner or manager (Spence, 1999; Murillo and Lozano, 2006; Jenkins, 2009).

Furthermore, we have discussed how the Norwegian government is a driving force for the business sector in Norway to become heavily active in corporate social responsibility. Gjølberg (2010) argues that CSR has been framed by the Norwegian government as a more normative, value-based argument, where CSR is seen as a way to help developing countries improve their social, environmental, and economic conditions. However, regardless of whether Norwegian businesses operate in Norway or abroad, the Norwegian Government expects all businesses to act responsibly. As Norwegian businesses become more international, we will see more individual CSR engagement by firms in the future. Nonetheless, due to the involvement from the Norwegian government, Norwegian businesses already follow several CSR requirements because of Norwegian legislation.

2.9 Conceptual Model

Based on our main concepts, chosen theories and the research question in this thesis, a conceptual model is formed. Firm size, Experience and Market Segment are set as control variables. These will be tested using demographic variables. Firm size is measured by number of employees. Experience is measured by how many years of experience with international relations the businesses have, and Market Segment is measured by which customer segment the businesses operate within.

Two regression analyses will be performed. One with *CSR* as the dependent variable and *Internationalization, Firm size, Experience* and *Market Segment* set as the independent variables, and another with *Performance* as the dependent variable and *Internationalization, CSR, Firm size, Experience* and *Market Segment* as the independent variables. A more detailed description of the variables and types of analysis performed are presented in 3.2 Operationalization and Chapter 4.

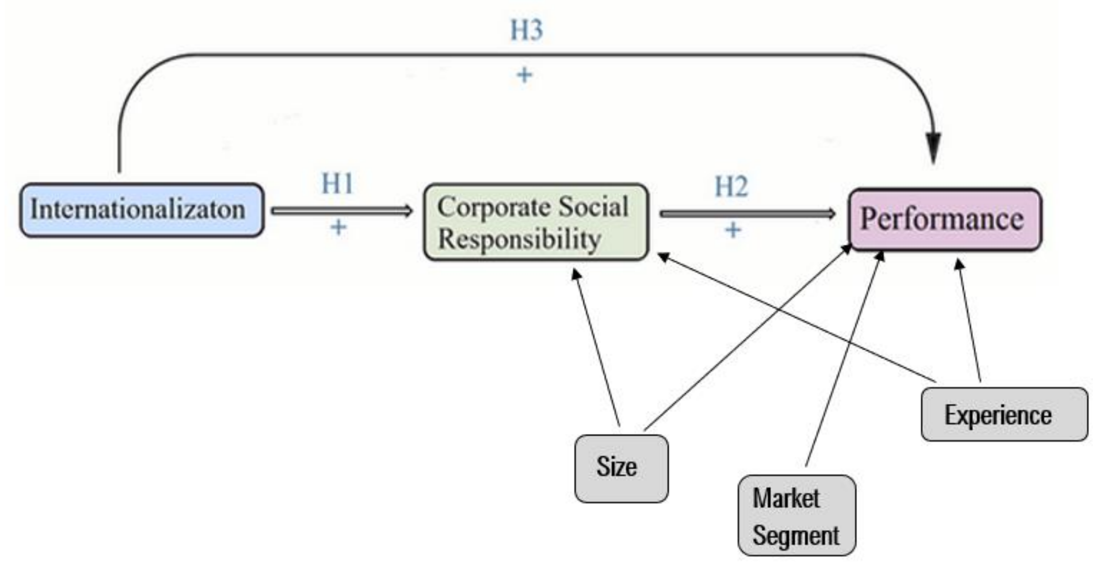

Figure 6. Conceptual Model with control variables.

With reference to the conceptual model (figure 6), a set of three hypotheses are made. In the following paragraph these will be determined and validated. The hypotheses will be tested in Chapter 4.

2.9.1 Hypotheses

According to Willums (2005, p. 46), one central premise of CSR in Norway is that companies who commit to CSR do it willingly. Ihlen & von Weltzien Høivik (2015) claims that while Norwegian law mandates firms to follow social regulations, there is still room for companies to stand out by being socially innovative and thereby doing good in society. As stated by the Norwegian Research Council (2004, p. 5), increased internationalization has brought about new challenges for the businesses in terms of their responsibilities, and what they should do for society, as they may operate in countries where the market regulations are low, where the relative importance of enterprises and their corporate social responsibility increases. Thus, the corporate social responsibility of a firm will depend on which markets it operates in. Thus, hypothesis 1 is proposed.

H1: A firm's degree of internationalization positively influences a firm's CSR activities

Rajput et. al. (2012) states that engaging in CSR activities may contribute to increased business profitability because of strengthening reputation, increasing sales, and enhancing consumer loyalty. Waddock & Graves (1997) agree that focusing on CSR can lead to better profitability through improved reputation. Jørgensen & Pedersen (2013) further claims that engagement with social responsibility can influence the company's profitability in two ways: directly or indirectly. Direct impact implies e.g. socially responsible initiatives which result in a direct rise in sales, because some buyers choose products from responsible firms. An indirect effect could according to Jørgensen & Pedersen (2013) mean that responsibility might create ripple effects that lead to profitability. Thus, hypothesis 2 is proposed.

H2: A firm's CSR activities positively influences a firm's financial performance

Hymer (1960) states that firms need to have a set of competitive advantages to internationalize, while Bell (1995) claims that younger firms internationalize because they want to reach new markets. According to the monopolistic advantage theory, the main motivation for firms to internationalize is the firm's constant hunt for new opportunities, ending with maximization of profits. Thus, hypothesis 3 is proposed.

H3: A firm's degree of internationalization positively influences a firm's financial performance

Chapter 3 Methodology

This chapter gives a deeper insight into the research design and methods of data collection in the thesis, in addition to a descriptive understanding of the methodology used to test the model.

3.1 Research Design

There are several types of research designs, all depending on the purpose of the study and how research questions or hypotheses are phrased. This also applies to methodology, where one is reliant on the choice of taking an inductive or deductive approach. While the deductive process moves from theory to hypothesis testing, the inductive process transitions from data collection and observations onward to theory (Gray, 2004, p. 51). Thus, the established theory forms the basis for developing hypotheses within the deductive approach. Next, the hypotheses are tested through a series of observations where they either will be rejected or confirmed. However, if using the inductive approach, data and observations will be arranged in patterns. These patterns serve as a basis for tentative hypotheses. The tentative hypotheses then bring about generalizations or theories. While the approaches seem to be set apart in theory, they are not mutually exclusive (Gray, 2004, p. 54), and are often combined within the same study (Saunders et al., 2009).

Depending on their purpose, studies are categorized as either exploratory, descriptive, or explanatory. According to Gray (2004, p. 72), the exploratory research approach is commonly used when a phenomenon is vague. In such cases, the goal of an exploratory study will be to identify issues, and if they are worth researching or not. With that in mind, an exploratory research approach could be a good point of departure for further research, as it aims to examine several topics with various levels of depth. However, the exploratory approach has a broad perspective, therefore it can be difficult to determine precise answers to a particular research problem. Ghauri & Grønhaug (2005) stress that it is highly important to be flexible in exploratory studies, as one must adapt the research according to the information one collects. A descriptive research approach, on the other hand, could be used when the purpose of the study is to present an authentic illustration of a phenomenon as it takes place (Gray, 2004, p. 72). Here it will be possible to take several variables into consideration, and then map the specifics around the exact phenomenon. The descriptive approach has an additional value as it identifies patterns of different groups. Ghauri & Grønhaug (2005) state that the main characteristics of descriptive research is structure, specific rules, and proceedings. Explanatory, causal, studies aim to identify the scope of cause-and-effect relationships. Generally, it is relatively easy to answer the questions of how, what, when and where, but much more difficult to establish an answer to why (Ghauri & Grønhaug, 2005). It can be difficult to conclude to what degree a cause results in effect(s). All the same, in the interest of increasing the scope and quality of a study, it is not uncommon to mix methods (Schoonenboom et al., 2018), however studies normally have one main purpose.

The purpose of this specific study is to establish the relationship between the degree of internationalization, CSR activities and financial performance within Norwegian firms, from all types of industries in Norway. Both internationalization of firms and CSR have been subject to much theoretical and empirical research over the past decades (Welch & Luostarinen, 1988; Melin, 1992; Whitley, 1994; Rask et al., 2008; Laudal, 2011; Carroll, 1991, 1999, 2008, 2015, 2016). Nonetheless, research on the link between degree of internationalization, CSR activities and financial performance is limited (Attig et al., 2016). Thus, the intent of this thesis was specified as; how are firms' financial performance influenced by their degree of internationalization and CSR activities? With this in mind, the thesis is based on a mix of exploratory and descriptive research, with both inductive and deductive reasoning.

3.2 Operationalization

Operationalization is the process of turning a theoretical concept into a measurable variable. This process makes general phenomena concrete and gives key concepts a precise meaning (Johannessen et al., 2010). The survey is based on our conceptual model where the independent variable is the firm’s degree of internationalization, while CSR and Performance are the dependent variables.

3.2.1 Firm’s degree of internationalization

In this context, the measurement scale of the firm's degree of internationalization, were the firm's export share and how many markets they are involved in. To determine whether the firms were domestic (Norway), international (Europe), multinational (two continents) or global (three continents or more), the closed-ended question “Which markets are you operating in? “(5) was given. In addition to knowing the continents the firms operate in, we also want to know ‘’How many countries are you operating in’’ (6), to determine the degree of their internationalization. This question was an open-ended question.

3.2.2 CSR

Carroll’s CSR pyramid is the theoretical framework for the CSR part of our thesis. Thus, the four CSR pyramid dimensions: Economic, Legal, Ethical and Philanthropy formed the basis of the CSR measurements.

Economic

Economic responsibility is a fundamental requirement as businesses must be profitable in order to survive (Carroll, 2016). Two economic related questions were given, and the companies were asked to answer by using a 7-point Likert scale, ranging from 1- to a small extent to 7- to a large extent.

‘’Has the company been successful at maximizing the profits?’’ (31)
‘’Has the company been successful at maximizing the sales?’’ (32)

Legal

Legal responsibilities reflect a concept of "codified ethics", in the sense that they contain core principles of fair operations as set by our legislators (Carroll, 1991). Three questions were given, and the companies were asked to answer by using a 7-point Likert scale, ranging from 1- to a small extent to 7- to a large extent.

‘’Do you use the standard NS-ISO 45001 (Management systems for working environment) for improvement of working environment?’’ (21)
‘’Are the UN guiding principles on business and human rights applied to you?’’ (22)
‘’Do you use the standard NS-ISO 37001 (Anti-Corruption Management Systems)?’’ (23)

Ethical

Ethical responsibilities include activities, practices, policies, or behaviors that society expects even though they are not codified in laws (Carroll, 2001). The confederation of Norwegian Enterprise (NHO) has a checklist to determine whether a firm is socially responsible or not, and all checkpoints were included in the survey (NHO, 2003). All items were measured on a 7-point Likert scale, ranging from 1- to a small extent, to 7- to a large extent.

‘’Do you know who the firm’s stakeholders in the society are?’’ (24)
‘’Do you have production or trade in countries where the political and social environment is very different from the Norwegian?’’ (25)
‘’Can you document/verify that you are taking corporate social responsibility?’’ (26)
‘’Do you know the firm’s present environmental challenges and potential future ones?’’ (27)
‘’Are you making a clear statement to your employees of what is acceptable practices in your firm?’’ (28)
‘’Is there a good culture within your firm?’’ (29)

In addition, eight other ethical questions were given.

‘’Do you report the firm’s corporate responsibility’’ (18)
‘’Do you think involving in CSR activities will influence your company positively’’ (19)
‘’If yes, how?’’ (20)
‘’Do you use the NS-ISO 20400 (Sustainable Purchases) standard in the procurement process?’’ (30)
‘’To what extent do you emphasize ISO certification in your choice of suppliers?’’ (31)
‘’Is it important to you that products and services from suppliers and manufacturers have an open and traceable supply chain?’’ (32)
‘’To what extent do you link the firm’s strategy and activity to the UN Sustainable Development Goals?’’ (33)
‘’How important is it for you to be certified as an environmental-friendly firm?’’ (34)

Philanthropy

Philanthropy is defined as “the corporate actions that are in response to society’s expectations that businesses be good corporate citizens” (Carroll, 1991, p.42). At the end of the survey a number of assertions were given, and the respondents were asked to answer to what degree they agreed with these. The assertions were measured on a 7-point Likert scale ranging from 1- to a small extent, to 7- to a large extent.

‘’The company contributes locally in society’’ (40)
‘’The company feels a moral duty to take social responsibility’’ (41)
‘’The company contributes to better welfare in society’’ (42)
‘’The company is committed to making investments that will improve lives for future

generations’’ (43)
‘’The company has cooperation with external organizations to promote cultural activities, education and sports’’ (44)
‘’The company is concerned with corporate social responsibility (CSR)’’ (45)
‘’The company is committed to complying with ethical guidelines when trade agreements are entered into’’ (46)
‘’The company has made flexible arrangements for your employees, so they can have a good work-life balance’’ (47)
‘’The company provides accurate information about its products/services to its customers’’ (48)
‘’The company has clear procedures for processing customer complaints’’ (49)
‘’The company treats its customers with honesty and respect’’ (50)
‘’Customer satisfaction is very important for your business’’ (51)

3.2.3 Performance

The firms’ degree of internationalization and CSR activities were tested, alongside their financial performance. The thesis measures performance by looking at annual operating revenues in 2018 and 2019. The questions ‘’What was the firm’s annual operating revenues in 2018?’’ (14), ‘’What was the firm’s annual operating revenues in 2019?’’ (15) were set as open-ended questions. By doing so, every individual respondent could give their specific answer.

Finally, three assertions were given to distinguish the firm's subjective measures. The respondents were to answer to what degree they agreed with the assertions using a 7-point Likert scale ranging from 1- to a small extent, to 7- to a large extent.

‘’Has the company been successful at reducing the cost of operations’’ (37)
‘’The company has been successful at maximizing the overall performance’’ (38)
‘’The company has been successful at providing value to its customers’’ (39)

3.2.4 Control variables

Size was one of the control variables we wanted to investigate, as it would be interesting to map whether it influenced the firms’ CSR activity. The question ‘’How many are employed in the company?’’ (2) determined whether the firm was micro (1-10), small (11-49), medium (50-249) or large (250+). Firm size was measured according to the European

Commission’s (2020) classification of Small and Medium Businesses. The second control variable was Experience. The questions “What year was the company established? (1) and “What year did the company expand internationally?’’ (7) were given as open-ended questions to calculate the firms’ experience. The third and last control variable was Segment. The question “Which market segment do you operate in?” (4) was given to identify whether the firms operated in the business-to-business (B2B) segment, business-to-customer (B2C) segment or both.

3.3 Research Setting and Participants

The research setting of this study was as previously mentioned, Norwegian firms with international operations in some shape or form. Company size varied from micro firms with under 10 employees, to big corporations with over 250 employees. Most of the companies operate within the private sector. The study period was set to a relatively short period of two years, 2018 and 2019. These years were explicitly chosen to secure the most recent data, and this period would reveal the most valid and reliable overview of the Norwegian firms’ financial situation when we began our research. The Norwegian economy had floated on a steady upturn since the fall in oil prices between 2014 and 2016. However, with the breakout of Covid-19, the Norwegian economy fell into recession (SSB, 2020). It would have been interesting to research how a pandemic would affect the firms, but the annual reports and results for the firms in 2020 were not available when we began our thesis.

A sum of 500 companies got an invitation to participate in our survey. It would have been preferable to have a bigger sample size, but due to the time horizon of the thesis, we set a limit here. With no effective filtration option on how to find Norwegian companies, headquartered in Norway, with international activities, it became a long and time-consuming process to identify and select relevant companies. Since we wanted our study to encompass all industries in Norway, no limitations were set on what type of industries the companies were chosen from. The only criterion we set was that we chose companies that indicated they had some sort of international activities. We did not know if they engaged in CSR activities. In the beginning, sites such as Karrierestart.no and Proff.no were helpful in finding fitting firms. However, the most helpful pages for finding potential firms were through Norwegian Innovation Clusters, and Oslo Børs, the Norwegian Stock

Exchange page. Based on these four sites, we manually found relevant information, phone numbers and e-mail addresses for all the 500 companies.

3.4 Data Collection

3.4.1 Survey

The idea of the survey came to life after we had decided on our research question. While it could be tempting to formulate questions based on what we find most interesting to know, also known as “nice-to-know” questions, designing the survey is a very complex process (Wilson, 2013). The survey should have a well-structured research design, from a clear purpose for conducting the study, to having a conceptual model and formulating concise research questions.

In order to design a solid survey which would provide us with valuable results, the first thing we did was to define the goal of the survey. The purpose of this study is to explore the nature and relationship between the degree of internationalization, corporate social responsibility, and financial performance in Norwegian firms with international activities. Then we began to look at different concepts from previous literature. By doing so, we were assured that the concepts included in the survey already had been tested for reliability and validity.

The survey consists of both closed-ended and open-ended questions. Most of the questions are closed-ended, which is preferable to use when you need quantifiable data, and when the audience is not necessarily particularly interested in your topic (Clark, 2008). The closed-ended questions in the survey are ranking questions and check boxes. Open-ended questions were used for the questions where we had to collect more detailed information. Several questions and assertions were used to measure each of the terms of our conceptual model. A 7-point Likert scale was used to standardize the information, from 1- to a very small extent, to 7- to a very large extent. According to Finstad (2010) the use of a 7-point Likert scale provides a more precise measure of a participant's true evaluation.

We made the survey using the free survey-program Easy Quest. This program was selected on the basis that it was easy to use and that it made structured and clear reports of the responses we collected. Before testing the survey, our supervisor reviewed the questions and the set-up of our survey. She reported back some potential adjustments, and these were made. In the next step, the survey was tested on three people from our group of family and friends. These three people were specifically chosen because they all had connections to Norwegian firms, with international operations, and would therefore understand the purpose of the survey and questions the best. One of the testers gave us valuable feedback, especially regarding the specification of certain questions. Additional adjustments were made based on this feedback. The testers also reported back how much time they spent on the survey. Based upon the time they used to conduct the survey, an average timeframe of 10 minutes was set. When the testers were happy with the set-up, we began the process of sending the survey to the chosen firms.

We sent the survey from our student email addresses. By doing this, we hoped to increase the legitimacy of our survey. Alongside the link to the survey, we sent a cover letter with a brief introduction and a description of the purpose of the study. We also defined why these firms were chosen and gave them information on privacy policies. The cover letter was made to induce the respondents to participate in the survey. In an attempt to induce the respondents to participate, we also highlighted that the survey only took about 10 minutes. The mail also stated that it would be preferable if someone in the administration responded. We sent the first email on Tuesday 13th of April and got 15 usable answers the first day. On April 26th we sent our first reminder email and got 12 usable answers. Initially, we had set a deadline on April 30th, which in hindsight may not have been the best idea, or it could have worked if we had not waited two weeks before sending out the first reminder email. On April 30th, we had generated 57 answers. We sent the second reminder mail on May 3rd, and it gave us 11 usable answers. The third and last reminder mails were sent May 18th, and gave us 6 usable answers, which made us end up with 74 answers in total. When we looked at the statistics from the survey, we noticed that 15 of the 74 responses came from Norwegian firms that only had domestic activities.

Normally, such e-surveys have rather low response rates (Adams et al., 2007, p. 137). This is especially true for B2B studies (Ganesan et al., 2005; Jap & Haruvy, 2008; Palmatier, 2008). These low response rates are problematic for many reasons. One, a low rate could limit a researcher’s ability to draw valid conclusions and generalizations (Rindfleisch & Antia, 2012). Another is that the sample of companies which are interesting for both students and research institutes, could experience survey fatigue (Clark, 2008). We received 16 emails from managers stating that they did not see the point in participating in such surveys, or that they did not have time, nor capacity to participate. Research fatigue like this is important to note. Future master students should be aware that it could be quite difficult to generate enough answers when choosing this type of research method, even with a relatively large sample size.

3.4.1.1 Social desirability response bias

Another important consideration when using this type of self-reporting data is the social desirability response bias (Treviño & Weaver, 2003). To reduce this bias, we emphasized that this survey was anonymous in both our cover letter and our reminder emails. Thus, in theory, the respondents should not feel the need to possibly improve the image of their companies. Kaiser et al. (1999) noted that only an inconsiderable amount of respondents felt enticed to make socially desirable answers. However, many other studies note that self-reported behavior and actual behavior strongly correlates (Graafland et al., 2010, p. 7). On the subject of biases, there are other method biases that need to be mentioned when making a survey (Podsakoff et al., 2003). Podsakoff et al. (2003, p. 5) provided a comprehensive review of a wide range of possible method biases. The most important biases occurring in this study, next to the social desirability response bias, were consistency motif, item social desirability, item priming effect, common scale formats, context-induced mood, and predictor and criterion variables measured in the same location. See table 1 for a description of the biases.

Table 1. Possible biases occurring in our survey. Source: Podsakoff et al. (2003, p.5).

Consistency motif	Refers to the propensity for respondents to try to maintain consistency in their responses to questions.
Item social desirability	Refers to the fact that items may be written in such a way as to reflect more socially desirable attitudes, behaviors, or perceptions.
Item priming effect	Refer to the fact that the positioning of the predictor (or criterion) variable on the questionnaire can make that variable more salient to the respondent and imply a causal relationship with other variables.
Common scale formats	Refer to artifactual covariation produced using the same scale format (e.g., Likert scales, semantic differential scales, "faces" scales) on a questionnaire.
Context-induced mood	Refers to when the first question (or set of questions) encountered on the questionnaire induces a mood for responding to the remainder of the questionnaire.
Predictor and criterion variables measured in the same location	Refers to the fact that measures of different constructs measured in the same location may produce artifactual covariance independent of the content of the constructs themselves.

There are methods of minimizing the biases listed above (Podsakoff et al., 2003), counterbalancing the questions is such an example. This act may reduce consistency motif, priming effects, common scale formats and other question context biases. But Podsakoff et al. (2003) emphasize that such a solution could disturb the flow of a survey. While we were aware of the biases that could occur based on the order of the questions, we needed to have a specific order to our questions. Items measuring the specific constructs were categorized in a way that the respondents easily could follow along the survey. We were concerned that a disorganized order of questions would annoy the respondents, increasing completion time of the survey, and in the worst case we could lose valuable responses. Internationalization, and financial performance were key concepts in our study. Thus, after seeking advice from our supervisor and co-supervisor, questions regarding these topics were put early in the questionnaire. These decisions may however have led to predictor and criterion variables biases, which need to be considered in the analysis. Many surveys have an option for “do not know” or “not applicable” (Adams et al., 2007, p. 135). That said, this option could give the respondents an easy way out of the questions asked, as they could just tick this box, without having a valid or sound reason for doing so. After a proper evaluation of our questions, we found all the questions to be relevant and answerable for all types of companies within different industries, thus we opted to not include such an option in our survey. However, we made it possible for the few invited participants with no international activities to skip a set of eight questions related to the internationalization process. There were no remarks about this when we tested the survey.

3.5 Validity and Reliability

Frankfort-Nachmias & Nachmias (1992, p. 148) state that “measurement is associated with the idea of operational definitions”. Furthermore, they claim that measurement is a method where one delegate numerical numbers or other symbols to empirical variables according to a set of rules. The numbers may differ in scores, this is a result of 1) real differences in the component being measured, or 2) unreal differences affected by the measure itself. All other differences except real differences are labeled as measurement errors. These measurement errors are a result of shortfalls in the measuring process. The errors could be random, which means that they affect the usage of the measurement instrument in different ways, or systematic, which implies that the errors are constant when using the measurement instrument (Frankfort-Nachmias & Nachmias, 1992). There are several things one can do to reduce measurement errors, according to Hair et al. (2014), and validity and reliability are two important characteristics of such a measure. The validity and reliability must be addressed in order to evaluate the extent of measurement error occurring in any measure (Hair et al., 2014).

3.5.1 Validity

Validity considers whether you are measuring what you planned to measure (Frankfort-Nachmias & Nachmias, 1992). Researchers need to provide supporting evidence, to make sure that a measure actually measures what it is supposed to. Frankfort-Nachmias & Nachmias (1992) state that one can make sure of this by assessing three types of validity: (1) content validity, (2) empirical validity, and (3) construct validity. Content validity comprises face validity and sampling validity. Face validity makes sure that the questions measure and assess what they are intended to in the study. Sampling validity aims to verify that the measures encompass a broad range of areas within the concepts being studied (Phelan & Wren, 2005). The measures applied in this thesis originate from, and are supported by, a solid theoretical foundation. Empirical validity takes the relationship between the measuring instrument and the measurement outcome into account. Frankfort-Nachmias & Nachmias (1992) state that it is assumed that if the measurement instrument is regarded as valid, there should be a strong correlation between the results the measuring instrument produces and other related variables. An example may be the relationship between students' scores on academic tests and their school grades. In relation to such empirical, predictive validity, in many cases it may be difficult to understand the whole picture. Which consequently also is the case in this study. Therefore, one sometimes must rely on other published empirical studies. The empirical validity of this thesis will be further commented on in Chapter 5. Lastly, construct validity is used to make sure that the constructs are measured appropriately. All in all, in order to guarantee a sound construct validity, the thesis has adapted existing measures from the literature.

3.5.2 Reliability

Reliability refers to "the degree to which a variable or set of variables is consistent with what it is intended to measure" (Hair et. al., 2014, p. 91), or in other words how free it is from random error (Pallant, 2016).

Test-retest reliability is one form of reliability where the accuracy of an individual's answers at two points in time are measured. This is intended to ensure that the answers do not vary too much over time periods and that the measurement taken at any point of time is accurate. This was not a possible option for our thesis. According to Hair et al. (2014), another measure is the summated scale which is tested by examining item-to-total and inter-item correlations. The item-to-total correlation, which is the correlation of the item to the summated scale score, should be higher than 0.5. Whereas the inter item correlation, or the correlation between objects, should be higher than 0.3, (Hair et al., 2014). Another method of measure is to check Cronbach's Alpha to see how consistent the entire scale is. Cronbach's Alpha has a lower limit of 0.7, but for exploratory research, values above 0.6 are acceptable (Hair et al., 2014).

3.6 Statistical Methods

The Statistical Package for the Social Sciences (SPSS) version 27 was used to analyze the results from the data collection. The proposed hypotheses were tested using confirmatory factor analysis and multiple regression. The confirmatory factor analysis ensures that all items load on the specified number of factors as intended. The connection between the dependent (criterion) variable and several independent (predictor) variables was analyzed using multiple regression. We analyzed two regression models. The first model analyzed the relationship between the dependent variable *CSR* (Economic, Legal, Ethical and Philanthropy) and the independent variables: *Internationalization, Experience, Employees* and *Segment*. The second model analyzed the relationship between the dependent variable *Performance* and the independent variables: *CSR, Internationalization, Experience, Employees* and *Segment.* A further description of the analysis and its assumptions is given in chapter 4.

Chapter 4 Analysis

This chapter presents the findings of the SPSS analysis based on the collected data from the survey. To answer the research question and the hypotheses, different analyses and approaches are applied. At the end of the chapter a summary of the analysis and some additional comments on the findings will be provided. The findings will be further discussed in chapter 5.

4.1 Sampling Characteristics

The survey gathered information about the type of industry the companies operate within, number of employees, market segment and export share. This section summarizes the demographic information provided by the companies. The survey was sent to 500 companies, we got 74 usable responses back, ending up with a response rate of roughly 15%.

The industry which scored the highest response rate in our survey was technology (14.9%), the maritime industry came in at second place with a score of 13.5%. The oil and gas- and energy/electricity industries were fairly equally represented at 10.8% and 9.5% respectively. Furthermore, furniture production accounts for 8.1% of the respondents. Both seafood and research and development represent 5% each in the survey. Fashion brands stand for 4.1% of the respondents. Recycling & recovery, media & telecommunications, construction, and banking/insurance/finance/consulting, all make out 2.7% each. Transport accounts for 1% of the responses. 17.6% of the respondents fell under the category called Other. These respondents came from industries such as wood processing, chemical-, plastic-, and mechanical industries, retail, and distribution. Thus, the result of the study is based on a wide range of different industries in Norway.

In line with the EU Commission's (2020) definition of firm size, large firms (250+) represent 28.4% of the respondents, while small firms (11-50) account for 27% of the respondents. Medium-sized firms (11-249) represent 25.7%, and lastly micro firms (1-10) make up 18.9% of the respondents.

Market segment is recoded into a dummy variable, the respondents are categorized as operating in a Business-to-business (B2B) market or a business-to consumer (BSC) market or both. 75.7% of the respondents fell under the B2B category, while 24.3% of the respondents fell under the B2C or both categories.

A dummy variable is an “independent variable used to measure the effect of different levels of nonmetric categorical data” (Hair et al., 2014, p. 153). In this instance, the dummy variable will be used in the regression analysis to test out and determine whether it contributes to the understanding of the dependent variable.

Export Share is divided into above and below 50%, and the respondents make up respectively 47.3 % and 32.4 % of the sample. The remaining 20.3% is firms with domestic activity only.

Considering our rather low response rate and the small sample size in terms of number of respondents, caution must be taken when interpreting the findings. This will be further discussed in chapter 5 and subchapter 6.2 limitation of the study.

Table 2. Sampling characteristics.

Measure	Item	Frequency	Percentage
Type of Industry	Banking / Insurance / Finance / Consulting	2	2.7
	Construction	2	2.7
	Energy/electricity	7	9.5
	Fish	4	5.4
	Research & Development	3	4.1
	Maritime Industry	10	13.5
	Media & telecommunications	2	2.7
	Fashion	3	4.1
	Furniture Production	6	8.1
	Oil & Gas	8	10.8
	Technology	11	14.9
	Transport	1	1.4
	Recycling & Recovery	2	2.7
	Other:	13	17.6
Employees (Firm Size)	1 - 10	14	18.9
	11 - 49	20	27.0
	50 - 249	19	25.7
	250+	21	28.4
Market Segment	Business to business (B2B)	56	75.7
	Business to consumer (B2C) or Both	18	24.3
Export Share	Domestic Activity Only	15	20.3
	Below 50%	24	32.4
	Above 50%	35	47.3

4.2 Factor analysis

A factor analysis examines numerous variables and seeks to reduce the data set to a smaller group of factors or components (Pallant, 2016). The main purpose of a factor analysis is to outline the basic structure between the variables in an analysis (Hair et al., 2014). Generally, a factor analysis provides methods of analyzing the structure of correlations among many variables. The factor analysis defines factors which are a part of a set of highly intertwined variables (Hair et al., 2014).

The theoretical foundation for the CSR pyramid in chapter 2 provides a clear indication of which factors that should be grouped together. The factor analysis is used to confirm that the theoretical assumptions on variable groupings are appropriate, and the results are then used to create summated scales. Summated scales are a method used to combine different variables that measure the same concept, into a single variable, in an attempt to increase measurement reliability (Hair et al., 2014). The summated scales method is applied in this study, and the computed variables will be used to test the hypotheses. A factor analysis with all the 31 CSR variables was performed. The correlation matrix showed several coefficients with values of .3 and above. The Kaiser-Meyer-Olkin value was .754 which exceeds the recommended value of .6. The Bartlett's Test of Sphericity value was significant with the value .000, which indicates support in the factorability of the correlation matrix (Pallant, 2016). Varimax rotation was used in the factor analysis, and the Principal Components analysis revealed the presence of eight components with an eigenvalue exceeding 1, explaining a total of 70.7% of the variance.

Referencing the CSR theory in chapter 2, we wanted four components (Economic, Legal, Ethical and Philanthropy). Thus, we forced a solution which reduced the eight previous components down to four components. The results from the Parallel analysis supported this decision. As displayed in table 3 below, there were four components with eigenvalues exceeding the corresponding criterion values for a randomly generated data matrix of the same size (31 variables x 74 respondents) (Pallant, 2016).

Table 3. Parallel analysis.

Component nr	Actual eigenvalue from PCA	Criterion value from parallel analysis	Decision
1	8.542	2.715	Accept
2	3.117	2.410	Accept
3	2.759	2.203	Accept
4	2.119	2.028	Accept
5	1.762	1.880	Reject
6	1.292	1.755	Reject
7	1.194	1.655	Reject
8	1.138	1.548	Reject

The first factor analysis indicated that removing some items would improve the fit. Each factor's reliability was tested, and the results were sufficient. Under the Philanthropy component we removed "The company has made flexible arrangements for your employees, so they can have a good work-life balance'' (47) and "The company has clear procedures for processing customer complaints'' (49), giving a Cronbach Alpha (CA) of .794 spread across four items. Under the Ethical component we removed "To what extent do you link the firm's strategy and activity to the UN Sustainable Development Goals?" (33), giving a CA of .873 on seven items. The Legal component presents a CA of .845 on five items, all items were kept. We removed the items "Has the company been successful at reducing the cost of operations'' (37) and "The company has been successful at maximizing the overall performance'' (38), from the Economic component, giving a CA of .936 spread over two items. A component that only loads on two items is a bit unfortunate, however, removing these items resulted in a more accurate representation of the data, since the two remaining items originally measured the Economic components discussed in subchapter 3.2 Operationalization. A summary of the values is provided in table 4 below.

Table 4. Factor and Reliability Analysis.

Factor analysis: CSR				
Measures	**Items**	**Cronbach's alpha**	**KMO**	**Sig.**
Philanthropy	4	.794	.754	.000
Ethical	7	.873		
Legal	5	.845		
Economic	2	.936		

The four-component solution explains 53,3% of the variance, with component 1 contributing 27,5%, component 2 contributing 10%, component 3 contributing 8,9% and component 4 contributing 6,8% (Appendix D). After forcing a four-component solution the KMO values remained equal to the initial factor analysis. Both the Cronbach Alpha (CA) value and the inter-item correlation value of .88 were considered acceptable for all dimensions, beyond the minimum acceptable limit of 0.6 (Hair et al., 2014). Hence, the factor analysis results, and scale reliability are adequate.

4.3 Correlation analysis

The strength and direction of a linear relationship between two variables are represented using a correlation analysis (Pallant, 2016). In this thesis the variables were tested using bivariate correlation analysis, where the Pearson correlation value is presented. The relevant values are highlighted in table 5.

H1 stating that a firm's degree of internationalization and the firm's CSR activities are positively related was tested first. The results displayed a correlation between *Internationalization* and *CSR* of .030, and the correlation was not significant. As suggested by Cohen (1988) cited in Pallant (2016, p. 137), r =.10 to .29 is small, r =.30 to .49 is medium and that r = .50 to 1.0 is large. Based on this, the result indicates no association between the variables, which means that H1 is not supported. Further, H2 stating that a firm's CSR activities are positively related to a firm's financial performance was tested. The analysis presented a correlation between *CSR* and *Performance* of .132, indicating a small relation between the variables, however, the correlation is not significant. Thus, H2 is not supported. Lastly, H3 stating that a firm's degree of internationalization is positively related to a firm's financial performance was tested. The analysis revealed a correlation between *Internationalization* and *Performance* of .130, indicating a small relation between the variables, again the correlation is not significant. Thus, H3 is not supported either. Having said that, as stated in table 4, the analysis showed that the correlation between *Employee* and *CSR* is .342, and the correlation is significant with a value of .003. The analysis also revealed a correlation between *Employee* and *Performance* of .523, the correlation is significant with a value of .000. Finally, the analysis also indicated a correlation between *Experience* and *Performance* of .278, the correlation is significant with a value of .017. The results of these correlation analysis and what they mean will be further discussed in chapter 5.

Table 5. Correlation, CSR, and Performance versus the independent variables.

		CSR	Performance
CSR	Pearson Correlation	1	.132
	Sig.		.261
Performance	Pearson Correlation	.132	1
	Sig.	.261	
Internationalization	Pearson Correlation	.030	.130
	Sig.	.801	.271
Employee (Size)	Pearson Correlation	**.342**	**.523**
	Sig.	**.003**	**.000**
Segment	Pearson Correlation	.000	.164
	Sig.	1.000	.163
Experience	Pearson Correlation	.079	**.278**
	Sig.	.505	**.017**

4.4 Multiple regression

A multiple regression analysis is a statistical technique for analyzing the relationship between a single dependent variable, known as the criterion, and several independent variables, known as predictors. The objective of a multiple regression analysis is to use known independent variables to predict the single dependent value chosen by the researcher. The regression analysis evaluates each independent variable to ensure maximal prediction from the set of independent variables (Hair et al., 2014).

Model 1 shows a multiple regression with *CSR* as the dependent variable and *Internationalization, Experience and Employees* as the independent variables. The model is significant at .25. The adjusted R^2 is .07, indicating that 7% of the variance in the dependent variable CSR is explained by the model, and the Variance Inflation Factor (VIF) indicates that the data is not exposed to multicollinearity. The only variable which is significant at 5% level is *Employees*.

Model 2 shows a multiple regression with *Performance* as the dependent variable and *Internationalization, CSR, Experience, Employees and Segment* as the independent variables. The model is significant at .000. The adjusted R^2 is .265, indicating that 26.5% of the variance in the dependent variable Performance is explained by the model. The only variable which is significant at 5% level is *Employees.*

As explained in 4.3 Correlation analysis, *Experience* had a weakly positive relation to *Performance*. However, in the regression analysis *Experience* does not significantly contribute to *Performance*.

Table 6. Multiple Regression Analysis.

Dependent variable	Independent variable	Beta Coefficient	*t*	Significance level	VIF	Adjusted R^2
Model 1: CSR	Internationalization	-.022	-.115	.909	2.915	.070
	Employees	.367	2.958	.004	1.212	
	Segment	.016	.140	.889	1.053	
	Experience	-.050	-.242	.809	3.331	
Model 2: Performance	CSR	-.052	-.487	.628	1.138	.265
	Internationalization	-.146	-.852	.397	2.916	
	Employees	.512	4.366	.000	1.366	
	Segment	.154	1.495	.139	1.053	
	Experience	.173	.943	.349	3.334	

4.5 Additional hypotheses to be tested

As discovered in the correlation analysis, *Employees* had a positive relation on both *CSR* and *Performance*. This result indicates that a firm's number of employees positively influences a firm's CSR activities and a firm's financial performance. Thus, two additional hypotheses are proposed.

H4: *A firm's number of employees positively influences a firm's CSR activities*

H5: *A firm's number of employees positively influences a firm's financial performance*

Based on the additional hypotheses, an updated conceptual model was made. The updated conceptual model is presented in figure 7 below.

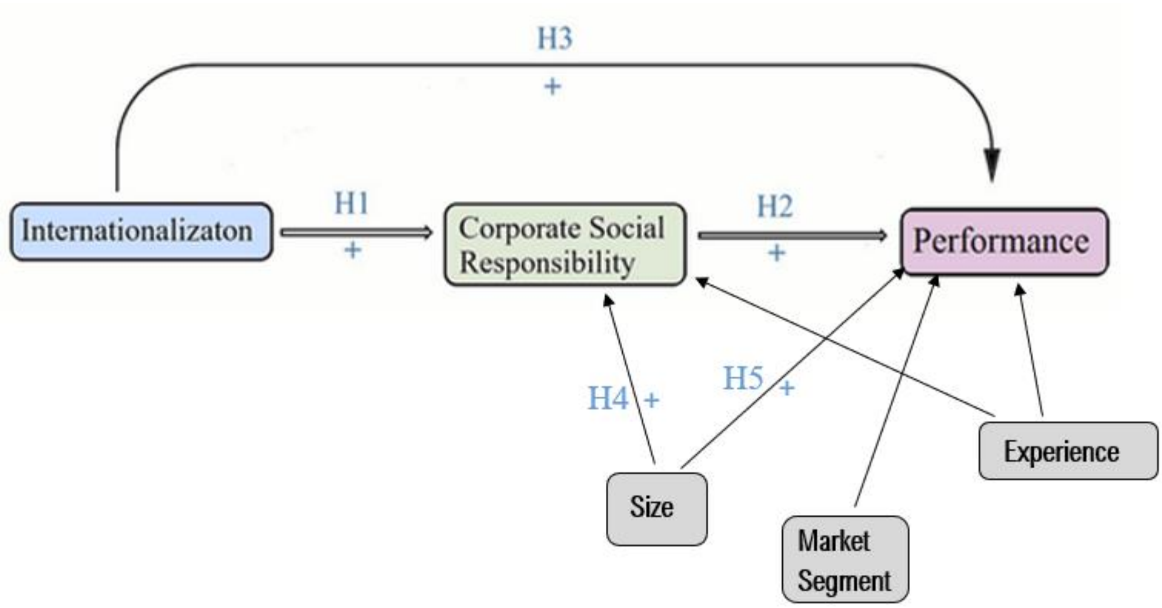

Table 7. Conceptual model including additional hypotheses.

Model 1, as previously described in 4.4, with *CSR* as the dependent variable, indicates that *Employees* significantly contribute to *CSR*, highlighting a sig.value of .012 and a t-value of 2.587. Model 2, with *Performance* as the dependent variable, shows that *Employees* significantly contribute to *Performance*, highlighting a sig.value of .000 and a t-value of 4.366. Thus, H4 and H5 are supported.

4.6 Summary

A factor analysis was performed to confirm the number of components and item loadings. The results of the Parallel Analysis were used to justify a forced four component solution. To improve the result, a few items were removed. CSR is based on four factors, Philanthropy, Ethical, Legal and Economic. Summated scales were created for each component. Later, a new summated scale called CSR was made from the four components and used in the following analysis. The correlation between the variables was examined using a bivariate correlation analysis.

The analysis showed that Pearson's correlation between *Internationalization* and *CSR* did not indicate a relationship between the variables. H1 is not supported. The correlation between *CSR* and *Performance* indicated a small relation between the variables, however, as it was not significant, H2 is not supported either. Finally, the analysis presented a correlation between *Internationalization* and *Performance* that indicated a small relation between the variables. Again, the measure was not significant, which meant that H3 could not be supported either. This means that our study did not support any of the three original hypotheses on whether a firm's degree of internationalization positively influences its CSR activities and financial performance.

However, other discoveries were made. The firm's size, in terms of employees, do have a positive relationship on both a firm's CSR activities and a firm's financial performance. This was revealed in both the correlation analysis and in the multiple regression analysis. Thus, the additional hypotheses H4 and H5 are supported.

Table 8. Results of hypothesis testing.

Hypotheses		Results
H1	*A firm's degree of internationalization positively influences a firm's CSR activities*	Not supported
H2	*A firm's CSR activities positively influences a firm's financial performance*	Not supported
H3	*A firm's degree of internationalization positively influences a firm's financial performance*	Not supported
Additional Hypotheses		**Results**
H4	*A firm's number of employees positively influences a firm's CSR activities*	Supported
H5	*A firm's number of employees positively influences a firm's financial performance*	Supported

Chapter 5 Results

5.1 Results

The purpose of this study is to explore the nature and relationship between degree of internationalization, Corporate Social Responsibility (CSR) and financial performance in Norwegian firms with international activities. Our study was based on internationalization and its prominent change in process and approach in recent years. As stated by Attig et al. (2016), this "new" type of internationalization leads corporations to respond to stakeholder demands through increased corporate social responsibility. Further, Rajput et al. (2012) and Waddock & Graves (1997) have also reported that businesses engaging in CSR may increase profitability because of strengthening reputation, increasing sales, and enhancing consumer loyalty.

Carroll (2015) argues that the reputational risk of businesses increases as their global visibility grows, making businesses carefully plan their corporate social responsibility and ethics programs everywhere they do business. However, Norway's institutional framework provides strict guidelines for corporate social responsibility. All Norwegian businesses are expected to act responsibly whether they operate in Norway or abroad. According to Willums (2005, p. 46), one central premise of CSR in Norway is that the companies who commit to CSR do it willingly. While Norwegian law mandates firms to follow social regulations there is still room for companies to stand out by being socially innovative and thereby doing good in society. Much of what is seen as CSR activities abroad, is already incorporated in Norwegian firms' strategy. We wanted to examine whether a firm's degree of internationalization, in terms of export share and number of continents it operates in, influences a firm's CSR activities. This notion was supported in the study as *Internationalization* and *CSR* was correlated with a Pearson Correlation of only .03, which indicates no relationship between the variables. Thus, H1 was not confirmed.

In addition to testing this hypothesis, we also added a dummy variable in the regression analysis to check whether Norwegian firms with international activities are more involved in CSR than Norwegian firms with domestic operations only. Out of the 74 respondents from our survey, 15 of these confirmed to only having domestic operations. Since the variable *continents* were recorded into a dummy variable, this procedure had to be done in a separate analysis. In the end, it did not have a significant contribution to the CSR variable. The *continents* variable was also used in the summated scale for the *Internationalization* variable and could therefore not be used in the same analysis, thus it is not displayed in the Appendix.

Engaging in CSR activities may contribute to increased profitability, which again could improve reputation (Rajput et al., 2012; Waddock & Graves, 1997). Buyers choose products from responsible companies which may lead to increased sales (Jørgensen & Pedersen, 2013), and engaging in CSR activities may lead to ripple effects that lead to profitability in terms of brand value and wider range of partners. *CSR* and *Performance* was correlated with a Pearson Correlation of .132, which indicated a small positive relation between the variables. The result was not significant, thereby H2 was not confirmed. However, we must mention that Carroll's (1991) pyramid of four components, Economic, Legal, Ethical and Philanthropy, may not be the best option for measuring CSR. There may be better measures of CSR, such as top management commitment. Our survey did not ask for the respondents' position within the company, which makes it impossible to say if the answers were given by the employee with the best knowledge on these topics. This limitation is further addressed in 6.2 Limitations of the study. There may also be better measures for Performance. Jenkins (2006) argues that it is a big challenge for firms to measure the precise benefits of CSR. Our measure for Performance is the firm's revenue over 2 years and this may affect our results. Other measures e.g., ROE or ROA may have given a different result in terms of Performance.

A firm's decision to internationalize is built on their potential competitive advantage in the markets which they are expanding to (Hymer, 1960), and the urge to reach new markets (Bell, 1995). In line with the monopolistic advantage theory, the main motivation behind firms' decision to internationalize, is the constant hunt for new opportunities that ends with maximization of a firm's profits. The notion that a firm's degree of internationalization influences a firm's financial performance, was not supported in this study. *Internationalization* and *Performance* was correlated with a Pearson Correlation of .130, which indicated a small positive relation between the variables. However, the measure was not significant, thereby, H3 was not confirmed. We could not find a strong positive link between a firm's degree of internationalization and its financial performance. With reference to our findings about the firms' motivation for internationalization (see 5.1.1 for a further discussion), we discovered that expansion to larger/new markets and strategic decisions made by the management were the main motivation for internationalization. This may indicate that the firms who internationalize have a financial incentive, however this notion does not entirely correspond with our findings in the statistical analysis.

There could be many reasons for hypothesis 3 to not be supported. As previously mentioned in 2.3, there are certain risks associated with the internationalization process. Cuervo-Cazurra et al. (2017) discovered in their studies several constructs that could lead to complications during an internationalization process. These complications could potentially have a huge impact on a firm’s financial performance. One can argue that the firms may have been lacking complementary resources over the course of the internationalization processes, which could have led them to being exposed to the liability of expansion, newness and/or foreignness. Some firms may also have been in danger of losing their competitive advantage when transferring it abroad. Perhaps a competitive advantage in Norway could have turned out to not be proficient in other parts of the world. While the former sentence only is based on speculations, it is worth mentioning that a relatively large proportion of the respondents were somewhat younger firms, established within the past 10 years. Moreover, many of these younger firms had also expanded internationally within the same period. In addition, 46% of the respondents fell under the micro- and small firms’ category. Both the different liabilities, firm size, and years of experience before internationalizing and experience when expanding could have an impact on the results of the correlation between *Internationalization* and *Performance*. Since the internationalization process is known to be long and time-consuming, the firms can in many cases not reap the potential benefits of the internationalization process until after the process is complete and a few years have passed. As Singh and Nejadmalayeri (2014) mentioned, firms that decide to internationalize are exposed to higher risks, especially regarding financial performance. Thus, it could take time for the firms to lower their cost of capital and see a positive trend between a firm's internationalization and its financial performance.

Even though the three initial hypotheses of the study were not supported, the correlation analysis revealed that *Employees* had a significant positive relationship on both *CSR* and *Performance*. Based on this result, two additional hypotheses were added, H4 and H5.

Employees and *CSR* were correlated with a value of 0.342, indicating a positive relationship between the variables. This positive correlation between the two variables means that when one variable increases, so does the other. The shared variance was

0.1169, meaning that *CSR* and *Performance* shared 11.69% of the variance in the analysis. These results proved that H4 was supported. Laudal (2011) argues that due to their size, MNEs have options that SMEs do not. For example, MNEs may be able to hire specialists responsible for its CSR activities and participate in demanding social accounting schemes, whereas SMEs are insufficient to make any lasting impact due to their lack of resources. Williamson et al. (2006), Lepoutre and Heene (2006), Tilley (2000), Spence (1999) supports the conception that MNEs are more involved in CSR activities than SMEs, since SMEs lack financial resources to fund CSR activities.

The correlation between *Employees* and *Performance* were valued at 0.523, thus indicating a strong relationship between the variables. The shared variance was stated to be 0.2735, meaning that the *Employees* and *Performance* variables shared a variance of 27.35%. Thus, H5 was confirmed. This finding complements the findings of Hall & Weiss (1967), which indicates that the size of a firm positively affects financial performance measured in total revenues. Said result is also reflected by revenues per employee, which roughly estimates how much money every employee generates for a firm. The survey indicates a proportional growth between number of employees within a firm, and the firm's yearly.

Additionally, our survey asked a question about the firms' reporting on CSR. Willums (2005, p. 46) stated that one central premise of CSR in Norway is that businesses who commit to CSR do so voluntarily. With this in mind, the question: *Do you report your CSR activities?* revealed that 45.9% of our respondents voluntarily report their CSR activities, while 20.3% are required to by law. This means that a total of 66.2% of our respondents report their CSR activities, this is fairly close to KPMG's (2020, p. 15) findings that states that 77% of the Norwegian businesses report their CSR activities.

Further, the survey also included a question that sums up the firms' thoughts on engaging in CSR activities: *Do you think engaging in CSR is positive for your firm?* Out of the total sample of 74 respondents, 73 of them answered yes. This result indicates that firms from a wide range of industries in Norway all think engaging in CSR is important, and that their engagement could have a further positive impact and contribution to their own operations, not just the society. Our survey also investigated the firms' motivations behind their engagement in CSR activities, as well as their motivation for internationalization, and what their internationalization strategy is today. In the following paragraphs these findings will be discussed.

5.1.1 Motivation for internationalization

As previously mentioned, in addition to gathering information about the type of industry the companies operate within, number of employees, market segment and export share, the survey also took account of the firms' motivation for internationalization, their past and present internationalization strategy, and their motivation for engaging in CSR. Here, the results of these findings will be presented, discussed, and compared to the theories in chapter 2.

The respondents were given a variation of ten firm-specific and market-oriented alternatives regarding motivation for internationalization (Appendix F). The ten motives for internationalization in Appendix F, are inspired by Narula's (2015, p. 5) adaptation of Dunning's (1993) nine internationalization motives. The highest scoring motivational objective was *access to new/larger markets,* which had a total score of 88.1%. This observation resonates with Hymer's (1960) monopolistic advantage theory, where the main motivation for internationalizing a firm's activities is the constant hunt for new opportunities. Additionally, the objective *strategic choice made by the management,* scored relatively high (45.8%). This objective could be directly linked to both Dunning's (1979) eclectic theory of international production, and Johanson and Vahlne's (1977) Uppsala Internationalization model. The reason behind these linkages is that the strategic choice made by the management, most likely comes as a result of thorough analysis on both ownership-specific advantages, location-specific advantages, and internalization advantages, as well as gradually acquired knowledge about the markets. The objective may also be loosely linked to Williamson's (1979) transaction cost theory (see 2.2.1.2). The third highest scoring objective, *access to specialized knowledge/technology* (18.6%), is also directly linked to Dunning's (1979) location-specific advantages. Furthermore, one could link certain parts of the combination objective *improving product quality or introducing new products* to Vernon's (1966) international product life cycle theory (see description in 2.2.1.5). Lastly, based on the low scores of motives such as *reduction of labor costs, lack of qualified labor* in Norway, and *more favorable legislation and regulation for the company in the country the activity was moved to*, one could potentially imply that Norwegian firms to a certain degree are concerned with adhering to certain legal and ethical standards regarding their employees and firms in general. If so, one may be able to indicate a trend where Norwegian industries try to protect the Norwegian employment rate. However, we cannot confirm this absolutely, as certain biases may have occurred during the process of responding to the survey (see 3.4.1.1 to read about different types of biases).

Table 9. Motivation for internationalization.

Rank	Motivation for internationalization	Score
1	Access to new / larger markets	88.1%
2	Strategic choise made by the management	45.8%
3	Access to specialized knowledge / technology	18.6%
4	Improve product quality or introducing new products	11.9%
5	Reduce other costs	8.5%
6	Reduce delivery time	6.8%
7	Focus on core activity	5.1%
8	Reduce labor costs	3.4%
9	Lack of qualified labor in Norway	3.4%
10	More favourable legislation and regulation	3.4%

5.1.2 Internationalization Strategy

While we got 74 responses in the study, 15 of these were from companies with only domestic activities. These 15 companies were separated from the sample in the context of international market entry strategy and motivations behind internationalization. Thus, the findings presented for these subjects are based on a sample of 59 respondents. The questions regarding strategy and motivation were multiple choice, thus the total click-rate is higher than the sample size (see Appendix E, Appendix F and Appendix G). The highest scoring market entry strategy in this study was *direct export*, 61% of the firms listed direct export as their main strategy for internationalization. No one is especially surprised by this finding. Export, either direct or indirect, is one of the most popular foreign market entry strategies (Agarwal and Ramaswami, 1992, p. 1), as the mode is not associated with high risks or high investments. Nearly all of the respondents that listed export as their main strategy, operate in the B2B market segment, thus the firms do not necessarily have direct contact with e.g., consumers, and would thereby not be prone to problems related to e.g., sales (liability of infrastructure, see 2.3). Other respondents also listed *sales and/or service offices* (47.5%), and *joint venture/strategic alliance* (37.3%) as their present internationalization strategy. An interesting observation was that *license agreements/franchise* (11.9%) and *acquisitions* (1.7%) scored very low compared to the other alternatives. A licensing strategy is known to be a low investment option with low risks, however it also has low levels of control for the licensing firm. Nevertheless, Agarwal and Ramaswami (1992, p.1) indicated that licensing is one of the most commonly used internationalization strategies. Hence, our observation does not correspond with other studies regarding licensing/franchise as a popular internationalization strategy. There could be many reasons behind this, however a report presented by Virke & FranchiseArkitekt (2020, p.7), stated that this strategy on a general basis is not the most common in Norwegian firms. The report further states that the franchise/licensing strategy is mostly used by industries such as distribution, retail, and food and catering services etc. in Norway. These industries do not have a very high representation in our survey, which could potentially contribute to the explanation and understanding of why the license agreements/franchise strategy had a low score.

The survey indicates some trends between firm size, number of continents, countries, and internationalization strategies. On average, companies classified in the micro firm category (1-10), have activities in 10 countries, across 2 continents. The main internationalization strategy for firms in this category is export. Firms classified as small (11-49), have on average activities across 4 continents, and 10 countries. The main internationalization strategies for this subgroup are a combination of export and joint venture/strategic alliance. Medium sized companies (50-249), have on average activities across 3 continents and 12 countries. Their main internationalization strategies are export and sales and/or service offices. The results from the survey indicate a clear trend among the companies classified as large (250+). On average, these Norwegian firms operate in 31 different countries, across 4 continents. The market entry strategy for this category is a combination of export, sales and/or service offices, joint venture/strategic alliance, and production unit.

Based on the findings above, it is reasonable to further draw a line between the firm's willingness to take and be exposed to risks in their internationalization process, and their size and performance ratios. Specific risk factors related to e.g., political situation, culture and business environment in specific areas abroad are not considered in this comparison. The smallest firms may in many cases not be the most financially strong ones, thus they may choose an internationalization strategy that does not require high investments, and that offers relatively low risks. The performance ratio may in many cases be lower, but in the long run this could be a winning decision. The bigger the firm, the more financially strong it tends to be. Firms that are more financially strong, are more prone to make strategic decisions that require more capital and are of higher risks. Such decisions could board both ways. Firms with a solid capital base, may in many cases also incorporate a diversification strategy where the risks are spread across several alternatives. Thus, although larger firms may be prone to take higher risks, they often end up with higher returns.

Many of the firms in the survey noted that they changed their internationalization strategy when the firm had gained more experience abroad. This indicates that experience, both in terms of years and knowledge about international operations, has an impact on strategic tactics and internationalization patterns. This perception corresponds well with the Uppsala Internationalization model, where the internationalization process is seen as a gradual learning process.

Table 10. Internationalization Strategy.

Rank	Internationalization Strategy	Score
1	Export	61 %
2	Sales and/or service offices	47.5%
3	Joint venture/strategic alliance	37.3%
4	License agreements/franchise	11.9%
5	Production unit	23.7%
6	Agent	8.5%
7	Aquisition	1.7%

5.1.3 Motivation for engaging in CSR activities

As mentioned above, the survey also measured the firm's motivation for engaging in corporate social responsibility (CSR) activities. The findings in this measure are gathered from both the companies with only domestic activities and those with international activities. The respondents were given eight different motivations for engaging in CSR activities (Appendix G), and as previously stated they had the opportunity to tick off several options. The specific measures in our survey were established based on Ditlev-Simonsen and Midttun’s (2011) perspectives on corporate responsibility (Appendix G). Interestingly enough, did *reputation* score the highest out of all the eight alternatives (91.9%), with *competitive advantage* (70.3%), *sustainability* (67.6%), and *network/relations* (56.8%) following close. The alternatives *innovation* (44.6%) and *value* *maximization for stakeholders* (40.5%) also received a relatively high click rate. On the other end of the scale, only 10% of the 74 firms mentioned *profit maximization* as one of their main motivations for engaging in CSR activities. The lowest scoring alternative was *presence in the local community* (4%). Compared to Ditlev-Simonsen and Midttun's (2011) study, our study indicates other top motivational factors for engaging in CSR. Ditlev-Simonsen and Midttun (2011) state that instrumentality prevails as a CR motivator, with branding and reputation-building being the most important CR drivers. Cluster-building/network, stakeholder management and sustainability also seem to be popular CSR drivers. Using Ditlev-Simonsen and Midttun's (2011) study as our comparison basis and referring to the Norwegian government's statement about wanting all Norwegian firms to engage in CSR (Ministry of Foreign Affairs, 2016), it is interesting to note that *reputation* scores the highest. This is especially interesting since the western culture in many ways expects firms to engage in CSR. Theoretically speaking, this means that Norwegian firms will not benefit from boasting about or marketing themselves as firms that engage in CSR activities, such as companies in other parts of the world may tend to do. Following this notion, it is also interesting to detect that competitive advantage ends up with such a high score. However, this finding could occur if the responding companies operate on continents where different CSR activities, and the importance of them, are being neglected and ignored. Another noteworthy finding is the rising importance of *network/relations* and cluster-building as a motivational driver for engaging in CSR. Similar to internationalization, the benefits firms engaging in CSR activities can obtain by belonging to a network could have an immensely impact on the firm's operations and performance in several areas.

Table 11. Motivation for engaging in CSR activities.

Rank	**Motivation for engaging in CSR activities**	**Score**
1	Reputation	91.9%
2	Competitive advantage	70.3%
3	Sustainability	67.6%
4	Network/relations	56.8%
5	Innovation	44.6%
6	Value maximization for stakeholders	40.5%
7	Profit maximization	11 %
8	Presence in the local community	4 %

Chapter 6 Conclusion & Implications

In the sections below we will discuss some of the most important limitations of this study. Practical implications and implications for future research will also be addressed. At the end of this chapter, a short conclusion of the main findings will be presented.

6.1 Main conclusions

The purpose of this study was to explore the relationship between the degree of internationalization, corporate social responsibility, and financial performance in Norwegian firms, with international activities. The thesis also took account of the firms' motivation for internationalizing, internationalization strategy and motivation for engaging in CSR activities. In this study CSR was separated into four responsibility categories - economic, legal, ethical, and philanthropic.

The main findings of the study are that (1) There is no relationship between the firms' degree of internationalization and their engagement in CSR activities, meaning that a higher degree of internationalization will not influence a higher engagement in CSR activity. (2) A small positive relation was found between CSR and Performance, implying that a firm's CSR activities could potentially affect a firm's financial performance. However, the findings were not strong enough that the hypothesis was accepted. (3) A small positive relation was found between Internationalization and Performance, implying that a firm's degree of internationalization to an extent may impact a firm's financial performance. However, the findings were not strong enough that the hypothesis was accepted. (4) Firm size has a strong relationship to both Performance and CSR, suggesting that size is an important predictor of financial performance and level of engagement in CSR activities. (5) The highest scoring motivational drivers for internationalization were access to larger/new markets and strategic choices made by the management. Findings also suggest that as firms gain more experience abroad, they tend to change to internationalization strategies with higher risks. (6) The most prominent motivational driver for engaging in CSR activities was found to be reputation. (7) 66.2% of the respondents in the survey report their CSR activities, and 73 out of 74 respondents believe that engaging in CSR will benefit their firm positively.

6.2 Limitation of the study

One of the most important limitations of this study is the sample size and number of respondents. Although the sample size in itself is sufficient enough, 500 companies, we only got 74 respondents. Ending up with a response rate of roughly 15%. While there does not seem to be any clear consensus on what the optimal response rate of such external email surveys is, a response rate of 15% is within the acceptable range. Naturally, the lower the response rate, the higher the non-response bias. Under many circumstances this skewness between response rate and non-response bias would influence the perception of the findings. However, one must look at the context of the survey and response rate, which in this instance is a difficult to reach target population: corporate managers, chief financial officers, chief executive officers or other health, safety, environment, and quality (HESQ) managers. Today, most companies are highly protective of their employees' contact information, making it quite difficult to come into contact with the right person to answer such a survey. In addition to the specific context, one should also look at subgroups within the survey, i.e., firm size based on employees. Firm size is split into four categories in the survey, following the European Commission (2020) classification of micro (1-10), small (11-49), medium (50-249) and large (250+) companies. In our case, the four categories were weighted fairly similarly, with 14, 20, 19 and 21 respondents. Most statistical analysis suggest a minimum of 20 respondents per category. Thus, the micro companies sample size scores are a bit low. However, not in such a capacity that it limits the robustness of the analysis or the ability to generalize the findings to other populations. Albeit, since the sample represents companies from several industries, we cannot totally rule out industry effects. All the same, with several representations from over 20 individual industries in Norway one could suggest that the result of the analysis is representative of the different industries in Norway. As the study seeks to encompass all industries in Norway, it is reasonable to assume that the findings in this study may be generalized to the situation of the different industries in Norway. In the interest of increasing the robustness of the tests, bootstrapping was applied. Bootstrapping did not influence the result of the analysis. Although researchers have studied if a lower response rate yields more accurate measures than higher response rates and concluded that the effect of a higher response rate is minimal (Visser et al., 1996; Curtin et al., 2000), a higher response rate could have produced an even more nuanced overview of the situation in Norway. Thus, the response rate is limiting.

Another influential limitation of the study is the use of self-reported data instead of actual data. With self-reported data one must be mindful of corporate managers possibly portraying themselves and their companies in a better light than they actually are. Nonetheless, research has shown that self-reporting data genuinely is a good indicator of real performance (Graafland et al., 2010, p. 7), and that the respondents are only slightly tempted to give socially desirable responses (Kaiser, 1999). The potential respondents were notified in the cover letter/invitation and reminder emails that the survey would be completely anonymous. Therefore, they should not have any reasons for portraying their companies in a “better” way. After a visual inspection of the collected data, this notion seems to be supported, i.e., the collected data show a good variation between the values, meaning that the respondents did not only tick off the higher values in the scales. While the visual inspection indicated a wide range of values, one must be cautious of making definite conclusions. Referencing this, we asked for some financial numbers and legal requirements in the survey. If companies are not up to certain “standards” regarding these aspects, the respondents could potentially be influenced by several biases (look at 3.4.1.1 for an extensive discussion of potential biases), which again would be reflected in their answers.

Since the survey is anonymous, we do not know who has answered the survey, which could limit the results. When the cover letter, invitation and reminder emails were sent, we emphasized that it would be preferable if someone in the top administration answered the survey. However, as the survey does not ask for the respondent’s position within the company, we cannot be totally sure that the survey has been answered by the person who has the most knowledge on the topics asked. Thus, the results could show marginal errors.

While on the topic of potential limitations, it is highly important to discuss the likelihood that only firms engaging/engrossed in international activities, and especially CSR, have responded to the survey. After running Descriptive statistics in SPSS, descriptive statistics imply a negative skewness to the right. Despite this, the variation in answers suggest a well-balanced sample of firms.

In hindsight, we also discovered that the survey in itself could have been better developed. Although the survey was approved by our supervisor, co-supervisor and by a small team of testers before the survey was sent out, we noticed several weaknesses with its construction along the way. Some of these weaknesses followed us into the analysis and made it more complex and difficult to navigate. As a consequence, the survey could be a bit limiting and our measurements may not be optimal.

6.3 Practical implications

This thesis describes the relationship between Norwegian firms' degree of internationalization, CSR activities, and their financial performance in 2018-2019. Our study indicates a weak positive link between the main variables and our financial performance measurement. Be that as it may, in this instance these links are too vague to acknowledge the hypotheses as fully supported. Thus, the hypotheses are marked as not supported in chapter 4.6, table 7. Nonetheless, our study signals that there are vague signs of financial benefits in conjunction with higher degree of internationalization and a higher engagement in CSR activities. However, as previously implied, as this study merely examines the firms' revenues, this measurement may not be sufficient enough in measuring the firms' true financial performance.

The results from the regression analysis show that the Employees (firm size) variable is very important for the Performance of firms. The *Employees* variable is also important for the firms' level of CSR activities, although not to the same degree. The understanding that the firms' size impacts performance is further justified and supported in the discussions in 5.1.1 and 5.1.2. Given the similar findings in Hall and Weiss's (1967) study, one may suggest that this is a practical implication applicable to all industries in Norway.

6.4 Implications for future research

This thesis has attempted to contribute to the bridging of the gap between the degree of internationalization and CSR, and how these variables affect financial performance of firms from different industries. The academic literature on this topic is scarce, hence more studies would contribute to further understanding. While the present study has given a description of the relationship between firms' degree of internationalization and CSR in Norway, case studies could potentially give more in-depth knowledge of the situation in specific firms and industries. For instance, a study exploring the relationship between strategy and motivation for internationalization, and on motivations behind CSR may reveal a clearer picture. If one applied mixed methods, quantitative methods as the basis and supplemented with interviews of key informants in a firm, one may be able to make more industry specific observations.

Additionally, Carroll's (1991) CSR pyramid may not be optimal for measuring CSR. In future studies, one should reevaluate the items applied in the pyramid, to ensure that today's complexities of international business are incorporated. Moreover, we suggest studying CSR at the top management commitment level, rather than on an economic, legal, ethical, and philanthropic level.

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Appendix

Appendix A: Invitation to participate in survey

Hei!

Dette er en spørreundersøkelse som går på tvers av bransjer og industrier i Norge, og er en del av en avsluttende masteroppgave ved NTNU i Ålesund. Undersøkelsen blir sendt ut til over 500 virksomheter i Norge.

Tema for oppgaven er internasjonalisering, samfunnsansvar og økonomisk ytelse. Internasjonalisering betyr at bedriften har forretningsdrift i flere land enn opprinnelseslandet. Samfunnsansvar kan defineres som det frivillige ansvaret bedrifter tar på seg for samfunn og miljø. Ved å praktisere samfunnsansvar blir bedrifter mer bevisst på deres innvirkning i samfunnet, både sosialt, økonomisk og miljømessig. De siste årene har det stadig blitt rettet mer fokus på samfunnsansvar, både nasjonalt og internasjonalt. Målet med undersøkelsen er å kartlegge hvordan små og store norske bedrifter, med internasjonale aktiviteter, forholder seg til samfunnsansvar, og om dette videre påvirker bedriftenes økonomiske ytelse.

Et visst antall norske bedrifter uten internasjonale aktiviteter er også invitert til å delta. Alle typer bedrifter og industrier er like viktige i denne sammenheng.

Vi håper dere kan avse noen minutter til å svare på denne spørreundersøkelsen. Besvarelsen tar ca. 10 minutter, og alle svar er anonyme. Det er ønskelig at en i administrasjonen svarer på undersøkelsen.

Vi setter stor pris på at du tar deg tid til å svare på undersøkelsen.

Undersøkelsen kan besvares ved å klikke på denne linken:
-link her-

Svarfrist: 30. April 2021.

Om dere er interessert sender vi gjerne et kortfattet sammendrag av resultatene fra undersøkelsen når oppgaven er ferdigstilt i juni. Send oss en mail ved interesse.

Appendix B: Reminder email

Hei!
Refererer til invitasjon til å delta i en spørreundersøkelses tilknyttet masteroppgave i International Business ved NTNU Ålesund.
Din deltakelse er svært viktig og verdifull for oss for å kunne kartlegge norske virksomheters grad av internasjonalisering og håndtering av samfunnsansvar. Dette er en påminnelsesmail, og vi vil sette uendelig stor pris på om du har mulighet til å sette av noen minutter til å svare på undersøkelsen.
Spørreundersøkelsen er del av en avsluttende masteroppgave ved NTNU i Ålesund. Målet med undersøkelsen er å kartlegge hvordan norske bedrifter, med internasjonale aktiviteter, forholder seg til samfunnsansvar, og hvordan det videre kan påvirke økonomisk ytelse.
Alle typer virksomheter og industrier, små som store, er like viktige å få svar fra.
Besvarelsen tar rundt 10 minutter. Det er ønskelig at en i administrasjonen svarer på undersøkelsen.
Alle svar er anonyme.

Undersøkelsen kan besvares ved å klikke her:
-link her-
Svarfrist: 30. April 2021.

På forhånd tusen hjertelig takk for din deltakelse!

Om dere er interessert sender vi gjerne et kortfattet sammendrag av resultatene fra undersøkelsen når oppgaven er ferdigstilt i juni. Send oss en mail ved interesse.

Appendix C: Survey

1. Hvilket år ble bedriften etablert? ______

2. Hvor mange er ansatt i bedriften?
1-10
11-49
50-249
250 eller fler

3. Hvilken industri opererer dere i?

Advokatfirma	Forskning & utvikling	Olje & gass
Arkitektur og design	Helse & omsorg	Sikkerhet
Bank/Forsikring/Økonomi /Rådgivning	Hotell	Service
Bil	Maritim næring	Teknologi
Bygg & anlegg	Media & telekommunikasjon	Transport
Energi	Mote/klesindustri	Utvinning/gjenvinning
Fiskeri	Møbelindustri	Annet______

4. Hvilket markedssegment opererer dere i?
Business to business (B2B)
Business to customer (B2C)
Begge

5. Hvilket marked opererer dere i? *Flervalgsoppgave*
Om svaret er Norge, vennligst gå videre til spørsmål 14
Norge
Europa
Asia
Nord-Amerika
Sør-Amerika
Afrika
Oceania

6. Hvor mange land opererer dere i? ______

7. Hvilket år ekspanderte bedriften internasjonalt? ______

8. Hvilken inngangsstrategi ble benyttet da dere først gikk internasjonalt?
Flervalgsoppgave
Eksport
Lisens/Franchise
Salg og/eller servicekontor
Joint Venture/Strategisk allianse
Produksjonsenhet
Annet ______

9. Hvilken strategi benytter dere i dag? *Flervalgsoppgave*
Eksport
Lisens/Franchise
Salg og/eller servicekontor
Joint Venture/Strategisk allianse
Produksjonsenhet
Annet ______

10. Hva er hovedmotivet for å gå internasjonalt? *Flervalgsoppgave*
Redusere lønnskostnader
Redusere andre kostnader
Fokusere på kjerneaktivitet
Redusere leveringstid
Strategiske valg tatt av konsernledelsen
Tilgang til spesialisert kunnskap/teknologi
Forbedre produktkvalitet eller introdusere nye produkter
Tilgang til nye markeder/ nå et større marked
Mangel på kvalifisert arbeidskraft i Norge
Gunstigere lovgiving og regulering for bedriften i landet aktiviteten ble flyttet til
Annet ______

11. Utgjør eksport mer enn 50% av omsetningen?
Ja
Nei

12. Opplevde dere økt utenlandssalg i 2018?
Ja
Nei

13. Opplevde dere økt utenlandssalg i 2019?
Ja
Nei

14. Hva var årlige driftsinntekter for 2018? Vennligst oppgi tall i hele 1000 kr______
15. Hva var årlige driftsinntekter for 2019? Vennligst oppgi tall i hele 1000 kr ______
16. Hva var årsresultatet for 2018? Vennligst oppgi tall i hele 1000 kr ______

17. Hva var årsresultatet for 2019? Vennligst oppgi tall i hele 1000 kr ______

18. Utfører dere bærekraftsrapportering?
Ja, bedriften er pålagt bærekraftsrapportering etter regnskapsloven § 3-3 c
Ja, bedriften utfører frivillig bærekraftsrapportering
Nei

19. Tror dere at å ta samfunnsansvar vil påvirke bedriften positivt?
Ja
Nei

20. Hvis ja, hvordan? *Flervalgsoppgave*
Profittmaksimering
Verdimaksimering for interessenter
Relasjoner
Innovasjon
Bærekraft
Omdømme
Konkurransefortrinn
Annet ______

I hvilken grad er du *enig* i følgende spørsmål?
Skalaen går fra 1 til 7, der 1 = i svært liten grad og 7 = i svært stor grad

21. Benytter dere standarden NS-ISO 45001 (Ledelsessystemer for arbeidsmiljø) for forbedring av arbeidsmiljø?
22. Blir FNs veiledende prinsipper om næringsliv og menneskerettigheter benyttet hos dere?
23. Benytter dere standarden NS-ISO 37001 (Ledelsessystemer for antikorrupsjon)?
24. Vet dere hvem deres interessenter i samfunnet er?
25. Har dere produksjon eller handel i land der det politiske og sosiale miljøet er veldig annerledes fra det norske?
26. Kan dere dokumentere/verifisere bedriftens samfunnsansvar?
27. Kjenner dere til nåværende miljøutfordringer, og potensielle fremtidige miljøutfordringer?
28. Har dere klare retningslinjer overfor deres ansatte om hva som er akseptabel praksis?
29. Er det en god kultur innad i bedriften?
30. Benytter dere standarden NS-ISO 20400 (Bærekraftige innkjøp) i innkjøpsprosessen?
31. I hvilken grad vektlegger dere ISO-sertifisering i deres valg av leverandører?
32. Er det viktig for dere at produkter og tjenester fra leverandører og produsenter har en åpen og sporbar forsyningskjede?
33. Hvor viktig er det for dere å være miljøsertifisert? (Miljøfyrtårn, EMAS, ISO 14001 og/eller ISO 50001)
34. I hvilken grad knytter dere strategi og aktivitet opp mot FNs bærekraftsmål?
35. Har bedriften lykkes med å maksimere fortjeneste?

36. Har bedriften lykkes med å maksimere salget?
37. Har bedriften lykkes med å redusere driftskostnader?
38. Har bedriften lykkes med å maksimere den generelle ytelsen?
39. Har bedriften lykkes med å gi verdi til sine kunder?

I hvilken grad er du *enig* i følgende påstander?
Skalaen går fra 1 til 7, der 1 = i svært liten grad og 7 = i svært stor grad
40. Bedriften bidrar positivt i lokalsamfunnet
41. Bedriften føler en moralsk plikt til å ta samfunnsansvar
42. Bedriften bidrar til bedre velferd i samfunnet
43. Bedriften er opptatt av å gjøre investeringer som vil bedre liv for fremtidige generasjoner
44. Bedriften har samarbeid med eksterne organisasjoner for å fremme kulturelle aktiviteter, utdanning og sport
45. Bedriften er opptatt av samfunnsansvar (CSR)
46. Bedriften er opptatt av å følge etiske retningslinjer når forretningsavtaler inngås
47. Bedriften har innført fleksible ordninger slik at ansatte kan ha en god balanse mellom jobb og privatliv
48. Bedriften gir nøyaktig informasjon om sine produkter/tjenester til sine kunder
49. Bedriften har klare prosedyrer for behandling av klager fra kunder
50. Bedriften behandler sine kunder med ærlighet og respekt
51. Kundetilfredshet er svært viktig for bedriften

Appendix D: Statistical data

Descriptive Statistics

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Philantrophy	74	5	7	26,3243	1,94520	-1,345	0,279	1,374	0,552
Ethical	74	1	7	40,0135	5,99656	-0,981	0,279	2,182	0,552
Legal	74	1	7	19,5541	7,66265	-0,060	0,279	-0,710	0,552
Economic	74	1	7	9,1622	2,41018	-0,184	0,279	0,595	0,552
CSR	74	1	7	95,0541	12,80292	-0,223	0,279	0,531	0,552
Valid N (listwise)	74								

Factor Analysis: CSR

Rotated Component Matrix[a]				
	Component			
	1	2	3	4
Q21.ISO45001	-0,020	0,664	0,132	0,194
Q22.FNsPrinsipper	0,417	0,458	0,003	0,092
Q23.ISO37001	0,000	0,772	-0,025	0,103
Q24.Interessenter	0,600	0,433	0,181	0,078
Q25.ProdHandelUlik	-0,155	0,302	-0,021	0,291
Q26.DokmentereCSR	0,439	0,456	0,030	0,135
Q27.Miljøutfordringer	0,691	0,363	0,113	0,051
Q28.Retningslinjer	0,414	0,432	0,230	0,254
Q29.Kultur	0,355	0,243	0,190	0,331
Q30.ISO20400	0,090	0,707	-0,046	0,115
Q31.SertifiseringLeverandør	0,107	0,818	0,027	0,024
Q32.SporbarForsyningskjede	0,465	0,374	0,211	0,170
Q33.Miljøsertifisering	0,246	0,626	0,213	0,047
Q34.Bærekraftsmål	0,587	0,267	-0,037	0,249
Q35.MaksimereFortjeneste	0,247	0,139	-0,028	0,861
Q36.MaksimereSalg	0,333	0,152	-0,078	0,826
Q37.RedusereDriftkostnad	-0,030	0,277	0,223	0,502
Q38.MaksimereYtelse	0,078	0,157	0,196	0,814
Q39.Kundeverdi	0,372	0,000	0,178	0,484
Q40.BidraLokalsamfunn	0,691	-0,217	0,126	0,018
Q41.FølerMoralskPlikt	0,776	0,003	0,058	0,176
Q42.BidraVelferdSamfunn	0,759	-0,031	0,089	-0,062
Q43.InvestFremtid	0,831	0,120	0,038	0,119
Q44.SamarbEksterneOrg	0,337	-0,156	0,284	0,343
Q45.CSRViktighet	0,642	0,112	0,177	0,263
Q46.EtiskeAvtaler	0,217	0,136	0,630	-0,052
Q47.WorkLifeBalance	0,138	0,101	0,555	0,040
Q48.NøyaktigProdInfo	-0,018	0,116	0,752	0,192
Q49.BehandleKlager	-0,035	0,176	0,672	0,225
Q50.ÆrlighetRespekt	0,209	-0,166	0,791	0,011
Q50.Kundetilfredshet	0,063	-0,051	0,788	0,037

Extraction Method: Principal Component Analysis.
a. Rotation converged in 5 iterations.

Total Variance Explained							
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	8,542	27,556	27,556	8,542	27,556	27,556	5,631
2	3,117	10,055	37,611	3,117	10,055	37,611	4,549
3	2,759	8,900	46,511	2,759	8,900	46,511	3,770
4	2,119	6,837	53,348	2,119	6,837	53,348	4,756
5	1,762	5,685	59,032	1,762	5,685	59,032	4,207
6	1,292	4,166	63,199	1,292	4,166	63,199	1,906
7	1,194	3,850	67,049	1,194	3,850	67,049	1,859
8	1,138	3,670	70,719	1,138	3,670	70,719	1,302

Multiple Regression

Model 1

Dependent: CSR

Independent: Internationalization, Employees, Experience

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,352[a]	0,124	0,086	12,23835	0,124	3,297	3	70	0,025	2,349

a. Predictors: (Constant), Experience, Internationalization, Employees

b. Dependent Variable: CSR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	85,558	4,083		20,955	0,000	77,415	93,701					
	Internationalization	-1,579	2,611	-0,071	-0,605	0,547	-6,785	3,628	0,030	-0,072	-0,068	0,898	1,113
	Employees	3,852	1,489	0,329	2,587	0,012	0,882	6,821	0,342	0,295	0,289	0,775	1,290
	Experience	0,023	0,044	0,068	0,528	0,599	-0,064	0,110	0,198	0,063	0,059	0,755	1,324

a. Dependent Variable: CSR

Model 2

Dependent: Performance

Independent: Internationalization, CSR, Experience, Segment, Employees

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,564[a]	0,318	0,267	1,01191	0,318	6,329	5	68	0,000	2,214

a. Predictors: (Constant), MarketSegment, CSR, Internationalization, Experience, Employees

b. Dependent Variable: Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3,586	0,931		3,853	0,000	1,729	5,444					
	Internationalization	-0,298	0,350	-0,146	-0,852	0,397	-0,997	0,400	0,130	-0,103	-0,086	0,343	2,916
	CSR	-0,005	0,010	-0,052	-0,487	0,628	-0,025	0,015	0,132	-0,059	-0,049	0,879	1,138
	Employees	0,554	0,127	0,512	4,366	0,000	0,301	0,807	0,523	0,468	0,438	0,732	1,366
	MarketSegment	0,421	0,282	0,154	1,495	0,139	-0,141	0,984	0,164	0,178	0,150	0,950	1,053
	Experience	0,316	0,335	0,173	0,943	0,349	-0,353	0,986	0,278	0,114	0,095	0,300	3,334

a. Dependent Variable: PerformanceLog

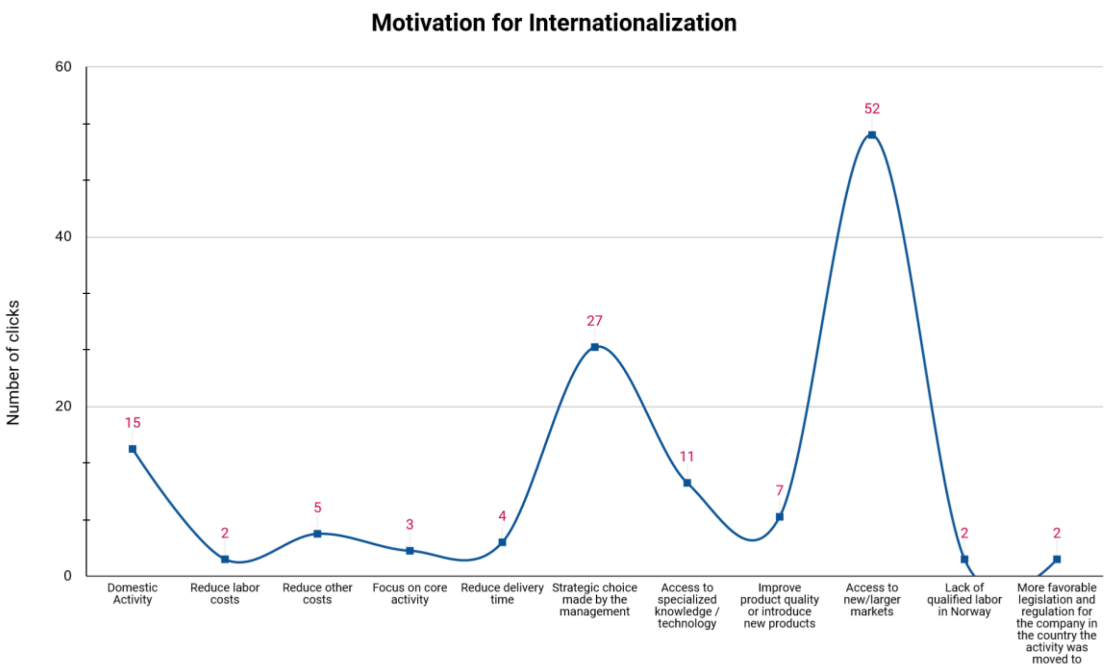
Appendix E: Internationalization Strategy

Appendix F: Motivation for Internationalization

Motives for internationalization

The "Nine Rings (motives) for Mortal Men" and their MNEs	Types (adapted from Dunning, 1993)	Objectives/motives (inspired by and updated from Dunning, 1993)	The Cuervo-Cazurra *et al.* (2015) motives
1	Natural resource-seeking	To acquire particular and specific resources of a higher quality at a lower real cost than could be obtained in their home country (e.g. physical resources, un-skilled (or semi-skilled) labor, technological/managerial expertise, etc.)	"Buy Better"
2	Market-seeking	To supply goods or services to a particular country or region (from existing markets to new markets)	"Sell More"
3	Efficiency-seeking	To rationalize the structure of established resource-based or market-seeking investment in such a way that the investing firm can gain from the common governance of geographically dispersed activities (e.g. economies of scale and scope)	"Buy Better" and "Sell More"
4	Strategic asset-seeking	To promote long-term strategic objectives–especially that of sustaining or advancing global competitiveness (e.g. augmentation of global portfolio of physical assets and human competences, which they perceive will either sustain or strengthen their ownership-specific advantages or weaken those of competitors)	"Upgrade"
5	Escape investment	To escape restrictive legislation, institutional voids or macro-organizational policies by home governments (e.g. round-tripping investment, escaping from high levels of taxation or austere environmental regulation, etc.)	"Escape"
6	Trade-supportive investment	To promote and facilitate the exports and imports of goods and services from the investing (or other) firm	"Buy Better" and 'Sell More'
7	Finance-supportive investment	To support and assist in the purchasing of foreign-produced goods and services from investing (or other) firm To establish domicile in specific location for regulatory and tax reasons	"Buy Better" and 'Sell More'
8	Management-supportive investment	To support the control and coordination function on behalf of MNE headquarters (e.g. regional office, branch offices)	"Upgrade"
9	Passive investment	To arbitrage by buying and selling firms or assets with some involvement of direct managerial inputs (e.g. private equity capital firm, asset stripping, etc.)	"Buy Better" and "Sell More"

Source: Narula's (2015, p. 5) adaptation of Dunning's (1993) nine motives for internationalization.

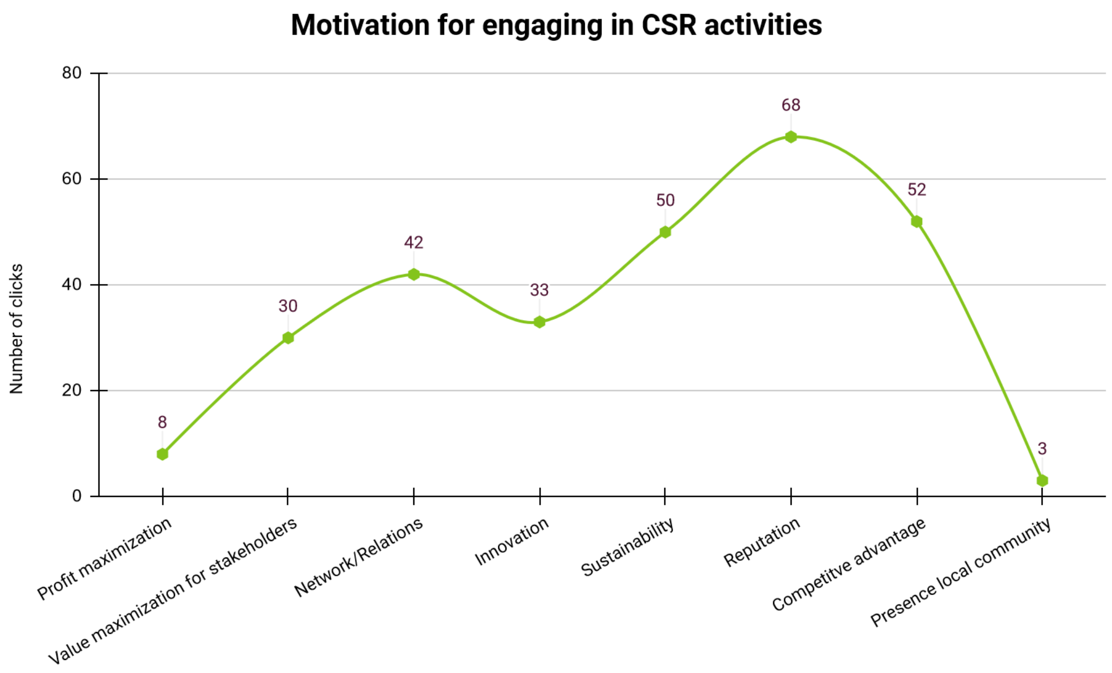


Appendix G: Motivation for engaging in CSR activities

Perspectives on Corporate Responsibility

1. **Profit maxim**: solely to increase profit
2. **Value maxim**: to create long-term value for shareholders
3. **Stakeholdership**: to satisfy different stakeholders
4. **Cluster-building**: to build a strong cluster to provide a favorable business context for the company
5. **Branding**: to build a positive reputation and brand image
6. **Innovation**: to develop new products and business concepts
7. **Copying/imitating**: to resemble other companies
8. **Ethics/morals**: to do the 'right thing' (a moral issue)
9. **Managerial discretion**: to fulfil the personal preferences and interests of the manager or person in charge of CR
10. **Sustainability**: to contribute to long-term sustainable development

Source: Ditlev-Simonsen & Midttun (2011, p. 26).



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