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Startups' motivations of CSR engagement

A cross country comparison

School of Marketing
Master's thesis in International
Business
International Business Programme

Vaasa 2023

UNIVERSITY OF VAASA**School of Marketing**

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Title of the Thesis: Startups' motivations of CSR engagement : A cross country comparison
Degree: Master of Science in Economics and Business Administration
Programme: International Business
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Year: 2023 **Number of pages:** 109

ABSTRACT:

Corporate Social Responsibility (CSR) has become an increasingly important topic for companies. The expectations of the stakeholders have changed with the newer generations and the effects of climate change among other things have increased the pressure on companies to act more sustainably. Despite the extensive literature on CSR, research on startup companies' engagement in CSR is still lacking. This thesis aims to fill the research gap by increasing understanding of the motivations for startups' CSR engagement and by comparing these motivations between the target countries Finland and Germany

Based on the theories explored, a framework is constructed. The framework integrates the stakeholder theory, social capital theory and the institutional theory and puts them into the context of startups. In addition, other possible motivations derived from benefits such as financial benefits are explored. The validity of the framework is tested in the empirical part of the thesis which is based on a multiple-case-study of two Finnish and two German startups. Data is gathered through six semi-structured interviews with the representatives of the case companies.

The case companies shared many similarities in their CSR motivations but also some differences were found. Some of the differences were deduced to be caused by the forces of the operational environment but others were related to, for instance, the startups' organizational lifecycle phase. Hence, in addition to providing evidence of the impact of the country of origin, the thesis also increases understanding of other impacting factors of startups' CSR engagement. The findings of the thesis highlight the need for multiple theories to understand the various issues that impact startups' CSR engagement, and it emphasizes the importance of stakeholders and the values of the founders in startups' decision-making.

KEYWORDS: Corporate Social Responsibility (CSR), Startups, Motivations, Stakeholder theory, Social capital theory, Cross-country comparison

VAASAN YLIOPISTO**Markkinoinnin ja viestinnän yksikkö**

Tekijä:	Veera Keskitalo
Tutkielman nimi:	Startups' motivations of CSR engagement : A cross country comparison
Tutkinto:	Kauppätieteiden maisteri
Oppiaine:	International Business
Työn ohjaaja:	Peter Gabrielsson
Valmistumisvuosi:	2023
Sivumäärä:	109

TIIVISTELMÄ:

Yrityksen yhteiskuntavastuusta (Corporate Social Responsibility, CSR) on muodostunut viime vuosina yhä tärkeämpi aihe yrityksille. Sidosryhmien odotukset ovat muuttuneet uudempien sukupolvien myötä ja muun muassa ilmastonmuutoksen vaikutukset ovat kasvattaneet yritysten painetta toimia kaikilla tavoin kestävämmällä tavalla. Vaikka CSR:ää on tutkittu laajasti kirjallisuudessa, tutkimus startup-yritysten osallistumisesta CSR:ään on edelleen vähäistä. Tämä tutkielma pyrkii täyttämään tutkimusaukon lisäämällä ymmärrystä startup-yritysten CSR-osallistumisen motivaatioista ja vertaamalla näitä motivaatioita suomalaisten sekä saksalaisten yritysten välillä.

Tutkielman teoriapohjan perusteella tutkielmalle luotiin viitekehys, joka integroi sidosryhmäteorian, sosiaalisen pääomateorian ja institutionaalisen teorian startup-yritysten kontekstiin. Lisäksi tutkielmassa tarkastellaan muita mahdollisia motivaatioita, joita voivat olla esimerkiksi yritysten CSR:n kautta saavutettavissa olevat taloudelliset hyödyt. Viitekehysten pätevyys testataan empiirisessä osassa, joka perustuu kahden suomalaisen ja kahden saksalaisen startup-yrityksen monitapaustutkimukseen. Aineiston keräämiseksi tutkielmaa varten järjestettiin kuusi teemahaastattelua tapausyritysten edustajien kanssa.

Tapausyritysten CSR-motivaatioissa oli paljon yhtäläisyyksiä, mutta myös joitakin eroja oli löydettävissä. Osa eroista johtui toimintaympäristön eroavaisuuksista, mutta toiset liittyivät esimerkiksi startup-yritysten elinkaaren eri vaiheisiin ja niille tyypillisiin piirteisiin. Löydösten perusteella tämä tutkielma tarjoaa todisteita yrityksen kotimaan vaikutuksista CSR:ään ja lisää ymmärrystä muista startup-yritysten CSR-osallistumiseen vaikuttavista tekijöistä. Tutkimuksen tulokset korostavat tarvetta useille teorioille startup yritysten CSR-osallistumiseen vaikuttavien tekijöiden ymmärtämistä varten sekä perustajien arvojen tärkeyttä startup-yritysten päätöksenteossa.

KEYWORDS: Corporate Social Responsibility (CSR), Startups, Motivations, Stakeholder theory, Social capital theory, Cross-country comparison

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Abbreviations

CSR	Corporate Social Responsibility
SME	Small and Medium Enterprises
TBL	Triple Bottom Line (TBL) approach
SDG	Sustainable Development Goals

1 Introduction

Over the years Corporate social responsibility (CSR) has gained an increasing amount of interest among scholars as well as businesses. Goedeke and Fogliasso (2020, p. 172) find that millennials' expectations towards sustainability are higher than those of the previous generations which adds unprecedented pressure on companies to act more sustainably and engage in CSR. According to the Intergovernmental Panel on Climate Change (IPCC) report, the ecosystems, as well as humans will inevitably face an increasing number of risks caused by the environment if the global warming reaches 1,5 °C (Pörtner et al., 2022). The effects caused by climate change will be more harmful than anticipated both to natural and human systems unless governments, civil society, and private sector actors make decisions to slow down the global warming (Pörtner et al., 2022, p. 31). Moreover, human rights issues and labor conditions have recently raised more interest when multiple big corporations have been accused of profiting from the exploitation of Uighur Muslims in China (BBC, 2020). The COVID-19 pandemic has caused struggles for companies to keep their businesses profitable emphasizing the importance of economic sustainability (He & Harris, 2020, p. 177). Therefore, it can be seen that stakeholders are increasingly demanding the companies to act sustainably in all areas of business. Companies can answer these demands by proactively engaging in CSR activities.

The interest in CSR is not a new topic in academic research. Spector (2008, p. 314) finds that already during the early years of the Cold War academics were talking about the responsibilities of companies and their leaders. Since then, the topic has been researched from multiple aspects. Some have studied the benefits that companies stand to gain from CSR engagement (Bakar & Ameer, 2011; Bastič et al., 2020; He & Harris, 2020; Saeidi et al., 2015), while others have focused on the different strategies and their implementation as well as the overall understanding of CSR (Arthaud-Day, 2005; Carroll, 2016; Carroll & Shabana, 2010; Joubert, 2020; Retolaza et al., 2009). Despite the extensive amount of research on CSR, most of the literature examines the topic from the point of view of large corporations or Small and Medium Enterprises (SMEs) (Baumann-Pauly et

al., 2013; Vázquez-Carrasco & López-Pérez, 2013; Voinea et al., 2019). Consequently, research on startup companies' CSR engagement is still lacking.

Startups differ from large companies and SMEs in several ways. According to Retolaza et al. (2009, p. 328), one of the differences between a startup and other types of firms is that newly created startups typically lack real stakeholders, and the entrepreneurs focus more on potential or future stakeholders. In addition to not having traditional stakeholders, Voinea et al. (2019, p. 2) state that national regulations might not apply to startups, which makes their engagement in CSR even more based on voluntary actions. Furthermore, the number of resources available for CSR activities and the priorities differentiates startups from larger companies (de Lange, 2017, p. 838; Jawahar & Mclaughlin, 2001, p. 406). Startups also tend to suffer from liability of newness which can make them more exposed to risks than bigger, more established companies (Freeman et al., 1983; Kim, 2020, p. 63). Due to these differing characteristics, the principles of integrating CSR into the larger companies' actions might not apply to startups (Voinea et al., 2019, p. 2).

There is a growing number of startups that have a significant positive impact on the economic development on a regional as well as on a country level (EU Startup Monitor, 2018; Tripathi et al., 2019, p. 56). Even though a single startup might not have the resources to make a difference through its own CSR actions, when considered as a whole, become the combined impacts of startups' CSR actions much more significant (Elford & Daub, 2019, p. 2). Companies can also gain benefits by engaging in CSR. Saeidi et al. (2015, p. 347) conclude that engaging in CSR activities improves the company's reputation, customer satisfaction, and competitive advantage. Reputation and competitive advantage have also been proven to have an indirect positive influence on the company's financial performance (Saeidi et al., 2015, p. 347). Furthermore, Bocken (2015, p. 655) finds that venture capital investors are increasingly looking to invest in startups that are putting social and environmental concerns to the forefront along with profitability. This trend is also visible in Europe (Pun, 2022). Due to the abovementioned reasons and the potential benefits for startups, studying the ways in which startups engage in CSR is important.

1.1 Research gap

Voinea et al. (2019) study the CSR engagement of startups in the Netherlands. They find that the motivation behind the CSR engagement of the startups they examined is the potential financial advantage that can be gained through CSR activities (Voinea et al., 2019, pp. 17–18). Pillai et al. (2022) have also analyzed the motivating factors behind small businesses' CSR engagement. The focus of their study were small companies from different industries in Singapore. Since the startups included in both studies were companies based in one country, Voinea et al. (2019, p. 19), suggest that due to various normative, cognitive, and regulative factors startups from different countries could also have different ways of engaging in CSR and different motivations to do so. Other authors have studied how factors in the operational environments impact the companies' CSR actions and engagement, but they have mainly focused on examining the topic from the perspective of larger companies (Al-Mamun & Seamer, 2022; Ng et al., 2022; Tolmie et al., 2020). Therefore, the research focusing on small companies such as startups' CSR engagement and how the different operational environments influence the CSR engagement is lacking, providing the research gap for this thesis. To avoid previous limitations and to contribute to CSR research, in this thesis a comparison between startups from two countries is conducted.

1.2 Research questions and the objectives of the study

The main objective of this thesis is to increase understanding of the motivating factors of the CSR activities of startups and to examine whether the country of origin has an impact on these activities and motivations. The research questions are:

1. What motivates startups to engage in CSR activities?
2. How do the motivations of startups' CSR engagement differ between the chosen countries?

To answer the research questions, startups' CSR engagement and motivation is analyzed through different theories to find out whether the theories that are traditionally used to

explain companies' CSR policies, such as the stakeholder theory, apply also to startups. To avoid the limitation created by startups' differing characteristics, in addition to the stakeholder theory, motivators for startups' CSR engagement are searched through the social capital theory (Retolaza et al., 2009, p. 328). While the social capital theory has been argued to be more relevant for small companies such as startups, Russo and Perrini (2010, p. 218) find that the stakeholder theory should not be overlooked by small companies. According to the authors, the two theories yield the best results for the companies when used in a complementary manner (Russo & Perrini, 2010, p. 218). Therefore, in this thesis the stakeholder theory and the social capital theory are used together as the main theories.

The impact of the different normative, cognitive, and regulatory factors on the CSR decisions is also considered. This is done through analyzing startups' CSR behavior through the institutional theory and the different contexts in which they operate. Overall, the study aims to provide new insights into CSR motivation and policies, especially from the point of view of startups, by examining companies from two European countries with different normative, cognitive, and regulatory environments.

1.3 Key definitions

The concept of CSR has been argued to evolve over time which makes defining it challenging (Chandler, 2017, pp. 6–7). Over the years many scholars have attempted to define CSR but so far, no consensus has been reached (Dahlsrud, 2008, p. 1). Dahlsrud (2008, pp. 7–11) indicates that the definitions of CSR have been made by multiple researchers, companies, and institutions such as the European Commission and the United Nations Industrial Development Organization (UNIDO).

As the goal of the thesis is to compare the CSR practices of startups in two countries, Finland, and Germany, it is crucial that the understanding of CSR in general is similar in the target countries. The definition used in this thesis is mostly based on the definitions made by the European Commission and the United Nations Industrial Development Organization (UNIDO). Also, some ideas from Carroll's (2016) CSR pyramid are introduced

to support the two definitions. In January 2023, UNIDO had 171 member states who have agreed to be associated with the principles of the organization (United Nations Treaty Collection, n.d.). The definition made by the European Commission (2011) is recognized among the members states of the European Union (EU). Carroll's definition, on the other hand, has been widely used in academic literature concerning CSR. Finland and Germany are among the member states of both the EU as well as UNIDO and thus, it can be concluded that these definitions are widely recognized and used in the countries of interest and, therefore, useful for this thesis.

The European Commission defines CSR as "the responsibility of enterprises for their impacts on society" (European Commission, 2011, p. 6). In other words, the companies should act in an environmentally and socially sustainable way while generating value for all stakeholders (European Commission, 2011, p. 6). UNIDO defines CSR as a "way through which a company achieves a balance of economic, environmental, and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders" (United Nations Industrial Development Organization, n.d.). Both definitions include similar aspects that can be found in the Triple Bottom Line (TBL) approach according to which companies should achieve positive returns on investment on economic, social, and environmental areas (Savitz, 2013, pp. 4–5).

The economic aspect of the TBL approach concerns the companies' responsibilities to make profits. Economic sustainability is crucial for companies because, if the company is not profitable, it is also unable to contribute to societies in other ways (Carroll, 2016, p. 3). Hence, economic sustainability is often referred to as the base of CSR actions (Carroll, 2016, p. 3). Social and environmental issues form the second and third component of the TBL- approach. The actions taken to enhance the welfare of the surrounding society are often not mandatory unlike some actions regarding the natural environment since there are multiple laws aimed at protecting the environment (Carroll, 2016, p. 4; Griffin & Pustay, 2020, pp. 151–153). Consequently, if a company follows the laws and regulations, it fulfills the minimum requirement of the environmental CSR component.

However, if a company wants to be more environmentally and socially responsible, it can take voluntary actions better the natural and social environments (Griffin & Pustay, 2020, pp. 151–153). Having these types of voluntary actions means that the company has taken a proactive stance on CSR and that it is willing to do more than what is required by laws and regulations (Campbell et al., 2012, p. 92). Therefore, the voluntary nature of CSR is also a crucial part of the definition since it regards responsibilities that are only expected or desired by the stakeholders (Carroll, 2016, p. 5). This is especially the case for startups as the regulations for their CSR actions are limited compared to bigger companies (Voinea et al., 2019, p. 2).

Earlier definitions of CSR primarily emphasized the social aspects of business in conjunction with economic and legal requirements (Carroll, 1979). Carroll (1979, p. 503) includes the environmental issues as a subsection of the social issues that CSR encompasses. Chabowski et al. (2022, p. 528) argue that the research on CSR has since then continued to highlight social issues substantially more than environmental issues. The environmental component of CSR and TBL can be connected to sustainable development (Huk & Kurowski, 2021, p. 3). The United Nations Global Compact (2011) states that CSR is a way for companies to contribute to sustainability and sustainable development, thus confirming the connection of the environmental component to CSR. Furthermore, PricewaterhouseCoopers (PWC) (2010, p. 5) finds that up to 92% of companies have included environmental indicators, such as greenhouse gas emissions, into their CSR reporting. KPMG (2017) adds that the percentage of companies that are reportedly aiming to cut their emission has increased from 58% in 2015 to 67% in 2017. Thus, companies consider environmental issues as one of the components of CSR. As the environmental component is stated in the definitions used in this thesis, and there is evidence of it being a part of companies CSR reporting, for the purposes of this thesis, environmental issues are considered to be an equal part of CSR along with economic and social issues.

Cockayne (2019, p. 77) finds that there is no one universal definition of a startup, as is the case with the definition of CSR. In his research he has identified some characteristics that startups have usually, but not exclusively (Cockayne, 2019, pp. 81–82). Startups are

usually small companies that are in the early phases of the business which can either mean pre-growth or growth (Cockayne, 2019, p. 82). In addition, the author found that startups also tend to be characterized by informality, flexibility which suggests a relaxed working environment. However, Cockayne (2019, p. 82) finds a paradox with the aforementioned startup criteria since they are often also characterized by hard work and high stress levels. Due to the paradox found in Cockayne's research, other definitions are needed.

The EU Startup Monitor is an initiative by the European Union that aims to support startups in Europe. According to their definition, a startup should be less than ten years old, it should either have an innovative product or business model and it should have the intention to scale and grow their business (EU Startup Monitor, 2018). As the startups studied in this thesis are based in Europe, they should fulfill the abovementioned criteria.

1.4 Structure of the study

After the first introduction chapter the thesis begins with examining the theoretical framework of the study. The theories explored in this thesis are the stakeholder theory, social capital theory and the institutional theory. These theories are first described in general and then put into the context of CSR and startups to explain the validity for the purposes of the thesis. In connection with the institutional theory the different operational environments of the chosen countries are also described to provide the ground for the analysis of the impacts of the institutional theory on the motivations behind CSR engagement. Companies stand to gain some benefits from engaging in CSR actions. In the last part of the theoretical framework these benefits are analyzed as they can also be motivating factors especially for startups whose main concern is often survival. Once the theoretical background is analyzed a conceptual framework is introduced to cover the motivators for startups CSR engagement in the different operational environments.

The empirical part of the thesis begins with methodology which explains the chosen research method for the thesis. The data gathered through the chosen methodology is introduced in the findings section of the thesis. After the introduction of the findings the

results are discussed, and conclusions are drawn. At the end of the thesis the implications of the study as well as the limitations are discussed. The thesis will end with suggestions for future research ideas.

2 Theoretical background

Although CSR has gained more interest during the past decade, the concept itself is much older. According to Spector (2008, p. 314) the origins of the corporate social responsibility (CSR) movement started at the end of the Second World War when advocates such as the Dean of Harvard Business School Donald K. David started talking about the responsibilities that the managers of corporations will have in the future. During the Cold War, the responsibilities of the businesses were mostly aligned with the principles of the Cold War, for instance, preventing the spread of communism in the United States (Spector, 2008).

Since the Cold War, the goals of CSR actions have changed towards a more holistic understanding of sustainability in business, that is, economic, social, and environmental sustainability (Retolaza et al., 2009, p. 325; Savitz, 2013, pp. 4–5). The CSR research has focused mainly on studying the topic from the point of view of larger corporations. In the following chapters CSR in general and the different motivators behind engaging in CSR actions are discussed through already existing theories and put into the perspective of startups.

2.1 Stakeholder theory

One of the most used theories in association with CSR is the Stakeholder theory created by R. E. Freeman in 1984. The Stakeholder theory was formed to provide a tool to better understand and predict the changes happening in the business environments. (Freeman, 1984, pp. 4; 24). A crucial part of the theory is that shareholders are no longer the only ones that should be considered in the decision-making of companies but that they are merely one stakeholder group among others. With the use of stakeholder theory, the company aims to fulfill the expectations of as many stakeholders as possible and, thus create value for them (Chandler, 2017, p. 72; Freeman, 1984).

Chandler (2017, p. 74) defines stakeholders as an “entity who is affected by the organization (either voluntarily or involuntarily) and possesses the capacity to affect the

organization.” This definition is specific and focuses on the most meaningful stakeholders without excluding the “non-acting entities”, such as the environment (Chandler, 2017, p. 74). Freeman (1984, p. 55) introduces a stakeholder map to identify and examine the relationships between the company and its stakeholders (Figure 1).

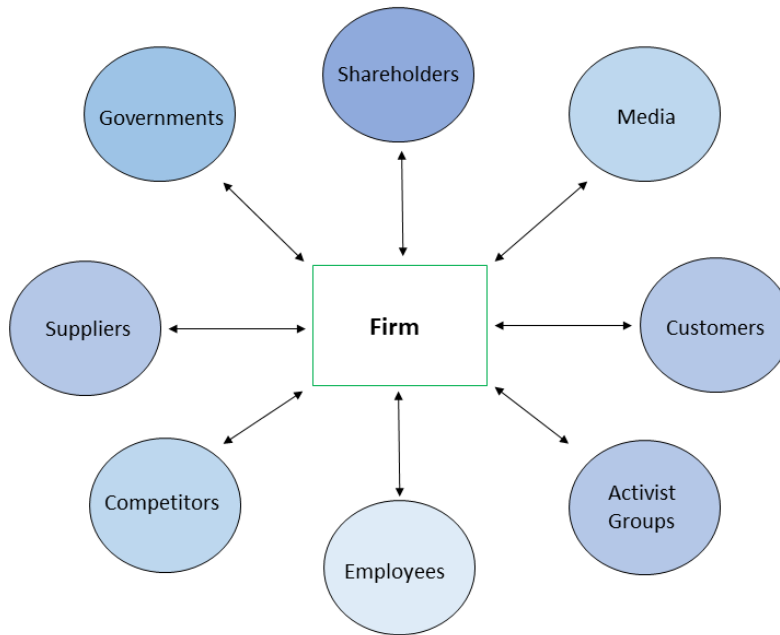


Figure 1 An Example stakeholder map of (adapted from Freeman, 1984)

The stakeholders can also be divided into primary and secondary stakeholders depending on their proximity to the firm. This so-called two-tier stakeholder map created by Freeman (2007, p. 7) is illustrated in Figure 2. The entities on the inner circle are the stakeholders that define the companies and essentially also their success (Freeman et al., 2007, pp. 6–8). The second circle outlines the entities that can potentially have an impact on the company and that should, therefore, be monitored by the managers (Freeman et al., 2007, p. 8). Governments can be an example of a second circle stakeholder as they can have a significant impact on the business model of a company with their laws and regulations (Freeman et al., 2007, p. 8). Despite there being frameworks to depict companies’ stakeholder environments, the stakeholder maps are not generalizable to every company. The stakeholder maps are company-specific modifications of Figures 1 and 2 depending on the characteristics of the company (Dmytriyev et al., 2021, p. 1444).

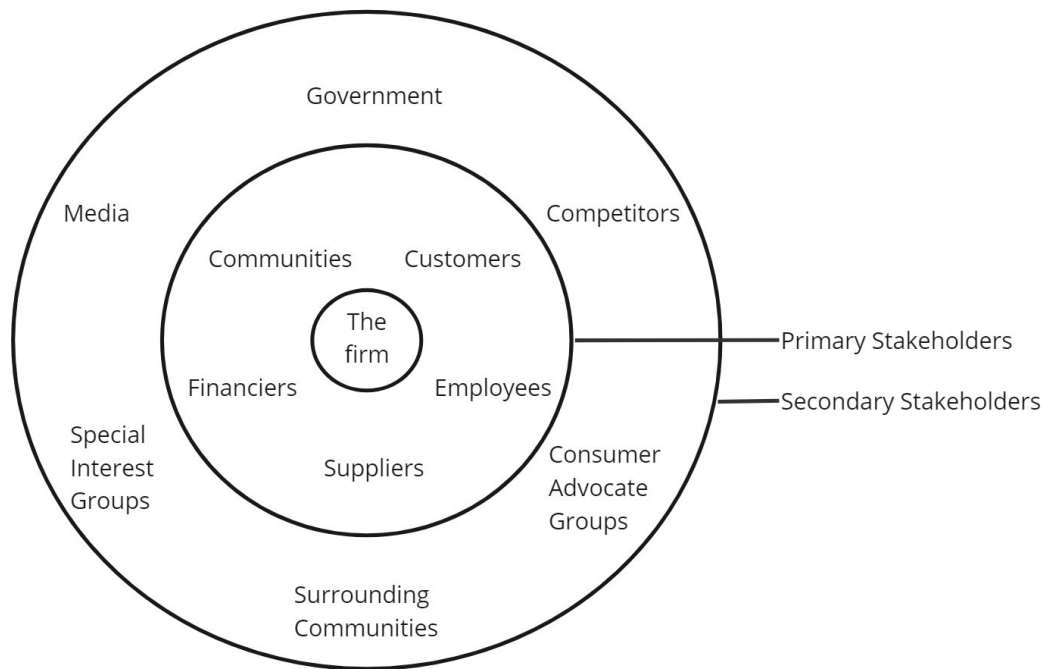


Figure 2 Basic two-tier stakeholder map (adapted from Freeman et al., 2007, p. 7).

The stakeholder theory is a tool that managers of companies can use in their strategic decision-making (Freeman, 1984, pp. 53–54). Not only does the stakeholder theory help identify the most crucial stakeholders, but it also depicts the relationships formed between the company and the different stakeholder groups (Chandler, 2017, p. 72). Harrison et al. (2019, p. 3), emphasize the importance of understanding these relationships as a part of value creation in today’s business world as the organizational complexity increases.

2.1.1 Stakeholder theory and CSR

The stakeholder theory is a commonly used theory in CSR research and its popularity in research has only increased in the past decades (Freeman & Dmytriyev, 2017, p. 9). Despite the stakeholder theory’s wide use in CSR research, the stakeholder theory and Corporate social responsibility are not interchangeable concepts (Brown & Forster, 2013, p. 302). Furthermore, Dmytriyev et al. (2021, p. 1442) state that academics continue to disagree on the connection between the two concepts. In this chapter, the similarities and differences between the two concepts are explored for the purposes of this thesis.

Dmytriyev et al. (2021) study the relationship between CSR and the stakeholder theory. Based on their research they conclude that the concepts “are distinct but complementary theoretical frameworks with some overlap” (Dmytriyev et al., 2021, p. 1463). Freeman and Dmytriyev (2017, pp. 9–10) find that the biggest connection between the stakeholder theory and CSR is their focus on including societal and environmental concerns into businesses’ operations. Nowadays, the expectations towards companies are changing rapidly and younger generations generally have higher expectations when it comes to sustainability (Goedeke & Fogliasso, 2020, p. 172). Moreover, also the investors consider CSR actions of companies as a part of their investment decision at an increasing rate (Bocken, 2015, p. 655). From the perspective of the stakeholder theory, the aim is to generate added value to all stakeholders of the company (Chandler, 2017, p. 72; Freeman, 1984). Therefore, the consumers’ and investors’ changed expectations are increasing the connection between stakeholder theory and CSR.

Despite the similarity of increasing the value of societal concerns in companies’ decision-making processes, there are also differences between the stakeholder theory and CSR. The stakeholder theory is a more comprehensive framework for companies that not only includes the societal and environmental issues into the decision-making process of the companies but that also considers other aspects and stakeholders that might not directly have a societal or environmental impact (Dmytriyev et al., 2021, pp. 1453–1454). These other stakeholders that do not have a societal or environmental impact, such as the shareholders, can still have a crucial impact on the company and are, therefore, included in the stakeholder theory (Dmytriyev et al., 2021, p. 1454). CSR, on the other hand, has a narrower perspective on business and the focus is on its impacts to society and the environment (Dmytriyev et al., 2021, pp. 1453–1454).

Other differences between CSR and the stakeholder theory that are mentioned by Dmytriyev et al. (2021, pp. 1454–1456) are related to the beneficiaries of the responsibilities and the direction of the responsibility. CSR theories view the responsibilities as one-sided responsibilities to the society as a whole whereas the stakeholder theory considers the mutual responsibilities between the company and all stakeholders of the

company (Dmytriyev et al., 2021, pp. 1454–1456). The overlapping of the two frameworks is illustrated in Figure 3.

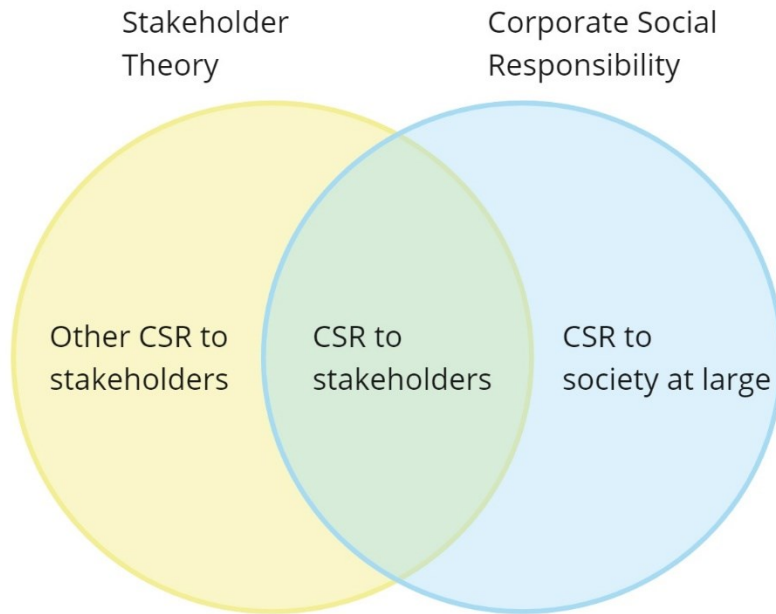


Figure 3 The relationship between stakeholder theory and CSR (adapted from Dmytriyev et al. 2021, p. 1458)

For the purposes of this thesis, it is important to understand these above-described similarities and differences because the goal is to examine the motivations behind startups' CSR actions. Based on the stakeholder theory the motivation behind CSR actions would be to fulfill the expectations of the stakeholders. Therefore, the stakeholder theory could explain some of the companies' CSR actions, for instance, by following consumers changed expectations towards companies' sustainability actions or the investors increased interest in CSR (Bocken, 2015, p. 655; Goedeke & Fogliasso, 2020, p. 172).

2.1.2 Stakeholder theory and Startups

The stakeholder theory is traditionally used in association with large corporations and their decision-making processes. As mentioned before, startups have different characteristics when compared to larger, more established companies which often leads to different types of stakeholder maps (Dmytriyev et al., 2021, p. 1444; Retolaza et al., 2009,

p. 327). This in turn, has an impact on the startups' CSR (Dmytriyev et al., 2021, p. 1444; Retolaza et al., 2009, p. 327). It has been argued that, especially in the beginning of the firm, startups often lack traditional stakeholders (Retolaza et al., 2009, p. 328). As the core of the stakeholder theory is to fulfill the stakeholders' expectations, not having them could suggest that the stakeholder theory is not as relevant for startups as it is for bigger companies with more established and complex stakeholder maps.

Despite recognizing that the stakeholders of startups are different from larger companies, Voinea et al. (2019, p. 3) and Retolaza et al. (2009, p. 329) argue that the stakeholder theory would still be valid also for startups. As startups generally have a smaller amount of crucial stakeholders, the influence of each stakeholder becomes greater because the relationships between the startup and their stakeholders are stronger (Voinea et al., 2019, p. 3). Hence, the pressure to fulfill the expectations is higher than when the ties are looser. In fact, Baumann-Pauly et al. (2013, p. 700) find that when implementing CSR practices smaller companies are more likely to interact with external stakeholders than larger companies. Interaction with stakeholder can also help the young startup create legitimacy and, thus, fight the liability of newness (Kim, 2020, p. 63). Pillai et al. (2022, p. 635), on the other hand, conclude that stakeholders can be a significant motivator for small companies CSR actions especially in industries that are less regulated. These findings confirm the validity of the stakeholder theory for startups. Table 1 summarizes the most relevant previous research articles that support the connection between CSR in startups and the stakeholder theory.

Table 1 Research that combines CSR, Startups, and the Stakeholder theory

Author(s)	Title	Topic of research	Methodology	Findings
Baumann-Pauly, D., Wickert, C., Spence, L. J. & Scherer, A. G. (2013)	Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters	To analyze the implementation of CSR in organizational practices, routines, and procedures and explore the differences	Case study research. MNCs and SMEs from Switzerland were examined	Size of the organization does not directly correlate to the implementation of CSR. However, MNCs tend to report their CSR actions better than SMEs,

		between small and large organizations		and SMEs tend to involve stakeholders more than MNCs.
Pillai, R. D., Wang, P. & Kuah, A. T. H. (2022)	Unlocking corporate social responsibility in smaller firms: Compliance, conviction, burden, or opportunity?	To analyze the motivators and barriers of CSR engagement of startups from different industries.	Qualitative research based on in-depth interviews with representatives of 31 Singaporean SMES.	CSR engagement tends to be compliance-based in highly normative industries and conviction-based in less normative industries.
Retolaza, J. L., Ruiz, M. & San-Jose, L. (2009)	CSR in Business Startups: An Application Method for Stakeholder Engagement	To develop a method for applying CSR based on the characteristics of newly created firms	Exploratory analysis of 50 Spanish companies in 2006	An application method for newly created firms consists of 6 stages: Identification of Potential Stakeholders, Expectations and Interests, Describing Stakeholders Expectations and Interests, Graphic Representation of Stakeholders, Expectations and Interests, Hierarchy of actions, Establishment of Social Compromises, Integration of the Social Compromise in the Management Plan of the Company
Russo, A. & Perrini, F. (2010).	Investigating Stakeholder Theory and Social Capital: CSR in Large Firms and SMEs	To investigate if the idiosyncrasies between SMEs and large firms explain the different approaches to CSR		Social capital could apply better to SMEs and the stakeholder theory to larger firm but even though SMEs should benefit from social capital they are unable to exploit these advantages. Therefore,

				the theories have complementary elements.
Voinea, C. L., Logger, M., Rauf, F. & Roijackers, N. (2019)	Drivers for Sustainable Business Models in Start-Ups: Multiple Case Studies	To explain the drivers of CSR in the business models of start-ups	Exploratory multiple-case-study research. Focus on startups based in the Netherlands who act in an international context	Startups treat engagement in CSR as an investment decision. The values of the business also have an impact on the CSR engagement.

Even though the stakeholder theory could help explain some of the motivations behind startups' CSR engagement, other theories are needed to get a comprehensive understanding. These other theories can help explain the shortcomings of stakeholder theory and CSR when it comes to the different characteristics of startups (Russo & Perrini, 2010, pp. 216–217). Furthermore, Jawahar and McLaughling (2001, p. 406) argue that startups are more dependent on their shareholders than companies that are more established which could have an impact on the prioritization of CSR. Voinea et al. (2019, p. 17), on the other hand, find a connection between startups' motivations to engage in CSR and the social environment in which they are embedded as well as the entrepreneurs' values and competencies. Other potential drivers for CSR engagement that cannot be explained with the stakeholder theory are, for instance, CSR actions that are directed towards entities that are not considered direct stakeholders such as US companies supporting international AIDS initiatives or CSR based on the company's values (Retolaza et al., 2009, p. 326; Walsh, 2005, p. 436). Lastly, the operational environments of startups are different which could also provide motives to engage in CSR beyond the stakeholder theory. The following chapters will examine other theories that can be used to explain the gaps left by the stakeholder theory to fulfill the purposes of this thesis and achieve a comprehensive understanding of the motivations of startups' CSR engagement.

2.2 Social capital theory

Along with the stakeholder theory, social capital theory has been used in CSR literature. The stakeholder theory alone has been inadequate in providing comprehensive explanations for CSR behavior of smaller companies, thus making this theory particularly useful in this regard. Social capital is focused on the relationships between people (Perrini, 2006, p. 308). The theory has been strongly influenced by Burt's (1995) *structural holes* theory and by Granovetter's (1973) *strong and weak ties* theory. The main argument of the social capital theory is that the goodwill that people have towards others in their social network, can be a value adding resource (Adler & Kwon, 2002, p. 18). The following chapter discusses the social capital theory more in detail and connects it to CSR. Later the theory is connected to startups.

2.2.1 Social capital theory and CSR

Previous research indicates three elements of social capital: structural, relational, and cognitive (Nahapiet & Ghoshal, 1998, p. 243) The structural dimension is focused on how the ties of the network are arranged, the cognitive dimension explains the shared understandings of the network, e.g., culture, and the relational dimension represents the relationships formed between the actors (Inkpen & Tsang, 2005, pp. 152–153). The three dimensions are interrelated and together they form social capital (Nahapiet & Ghoshal, 1998, p. 243). Social capital can consequently lead to benefits through, for instance, sympathy, trust, and forgiveness (Adler & Kwon, 2002, p. 18).

Adler and Kwon (2002, p. 23) propose a framework that explains, among other things, the sources, benefits, and risks of social capital. A simplified version of their framework is illustrated in Figure 4. According to the framework opportunity, motivation, and ability of the social relations lead to social capital benefits which, in turn, can end up creating added value (Adler & Kwon, 2002, p. 23). Internal social ties provide individuals with opportunities to co-operate whereas external social ties allow the individual to benefit from the resources of the contact more widely (Adler & Kwon, 2002, p. 24). Adler and Kwon (2002, pp. 25–26) find that the underlying motivation to help others of the social

network in which an individual is embedded are connected to shared norms and trust. Another common motivation behind actions that lead to benefits of social capital is the expectation of reciprocity (Nahapiet & Ghoshal, 1998, p. 258). The ability entails how well the donor is able to benefit the recipient when the opportunity and the motivation aspects are present (Adler & Kwon, 2002, pp. 26–27). These can be seen in companies' CSR actions, for instance, by the companies being motivated by their social capital to do something good. This action can increase the social capital and trust among the entities which might eventually lead to the good deeds being reciprocated to the company.

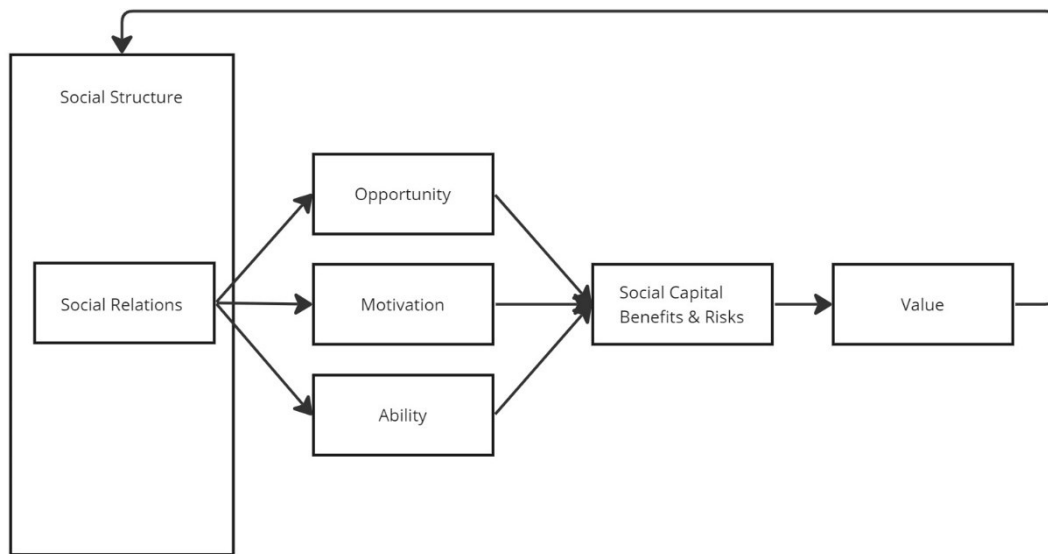


Figure 4 Framework of Social Capital (adapted from Adler & Kwon, 2002, p. 23)

Adler and Kwon (2002, p. 29) argue that when the opportunity, motivation and the ability are aligned companies stand to gain added value from the social capital. The outcome depends on a number of factors. Some of the benefits mentioned are increased information, influence, power, and solidarity (Adler & Kwon, 2002, p. 29). Spence and Schmidpeter (2003, p. 95) mention that social capital can support companies in reaching goals more efficiently as well as in cutting transaction costs. However, as social capital is less predictable than other types of capital, there are also risks involved (Adler & Kwon, 2002, p. 22). Although companies have the potential to benefit from the information that social networks can provide, the social networks can be costly to build and maintain which presents an example risk mentioned by Adler and Kwon (2002, p. 30). If a company is

motivated by their social capital to engage in CSR, there are no guarantees if or when the acts of goodwill taken through CSR towards the social networks will be reciprocated. Therefore, the unpredictable nature can end up becoming a risk to the companies through additional costs and unfulfilled benefits. Companies need to be able to understand factors that have an impact on the outcome of the social capital to best balance the benefits and risks (Adler & Kwon, 2002, pp. 31–32). The importance of understanding these factors to avoid costly risks is highlighted in the case of startups as their main concerns are often related to the survival of the company (Jawahar & Mclaughlin, 2001, p. 406).

2.2.2 Social capital theory and Startups

Perrini (2006, p. 311) and Sen and Cowley (2013, p. 423) suggest that social capital theory is especially suitable for examining CSR engagement of small companies including startups. The influence of the personal ties of the managers or owners in small companies and startups is much greater than in bigger companies (Baumann-Pauly et al., 2013, p. 689). The impact of personal ties has an impact also on the CSR engagement of the company (Baumann-Pauly et al., 2013, p. 689). Due to the importance of these personal ties, or in other words social capital, social capital theory proves to be a valid approach to observe startups' CSR motivations. The impact of personal social capital and preferences also suggest that startups' CSR actions can be based on values of the owner. In fact, in a recent study Xu and Ma (2022, p. 503) find a positive correlation values and CSR motivation.

Besides personal ties, startups are often generally more embedded in their local communities compared to larger firms (Perrini, 2006, p. 309; Voinea et al., 2019, p. 3). Due to these stronger ties that startups have to their communities, intangible social capital resources such as trust, legitimacy and reputation are vital for long-term success (Perrini, 2006, p. 309; Spence & Schmidpeter, 2003, p. 106). As startups are more embedded in their social networks, it could be assumed that startups are also more likely to contribute to the communities with CSR actions that are not directly targeting their current stakeholder (Voinea et al., 2019, p. 3). In this case the motivation would not be direct benefits

to the company but an interest towards the beneficiary of the CSR action. Ikram et al. (2020, p. 43) state that startups can improve trust through CSR. Trust is a dimension of social capital that is efficient in lowering liability of newness, and thus invaluable for startups (Kim, 2020, p. 63). Consequently, social capital can potentially have an impact on startups' CSR engagement decision. Moreover, Russo and Tencati (2009, p. 348) find that small companies tend to enjoy the higher involvement with not only their employees but the communities and the environment they are surrounded by, which further emphasizes the assumption that social capital can act as a motivator for startups' CSR engagement.

Due to the reciprocal nature of social capital transactions, startups could stand to gain benefits by engaging in CSR actions that answer or anticipate the demands of actors in their social networks (Nahapiet & Ghoshal, 1998, p. 258). As was mentioned earlier, startups have been argued to not have traditional stakeholders at the beginning of their organization cycle (Retolaza et al., 2009, p. 328). Additionally, Spence and Schmidpeter (2003, p. 105) conclude that investing in social capital is an effective tool of word-of-mouth marketing. Consequently, it could be deduced that through CSR engagement the actors in the social networks of startups could reciprocate the actions by becoming interested in the products that the startup is offering or by spreading the word. Thus, CSR engagement would not only be an investment into the social capital, but it could also have concrete financial implications for startups.

Most relevant previous research that examines the relationship between CSR, startups and social capital theory is gathered in Table 2.

Table 2 Research that combines CSR, Startups and Social capital theory

Author(s)	Title	Topic of research	Methodology	Findings
Baumann-Pauly, D., Wickert, C., Spence, L.	Organizing Corporate Social Responsibility in Small and Large	To analyze the implementation of CSR in organizational practices, routines,	Case study research. MNCs and SMEs from	Size of the organization does not directly correlate to the implementation of CSR.

J. & Scherer, A. G.	Firms: Size Matters	and procedures and explore the differences between small and large organizations	Switzerland were examined	However, MNCs tend to report their CSR actions better than SMEs, and SMEs tend to involve stakeholders more than MNCs.
Perrini, F. (2006).	SMEs and CSR Theory: Evidence and Implications from an Italian Perspective	To determine between theoretical approaches applied to CSR and larger firms and to CSR and SMEs.	Secondary data analysis	SMEs' CSR behavior can be analyzed through both stakeholder theory and social capital theory but the later provides more comprehensive answers
Russo, A. & Tencati, A. (2008)	Formal vs. Informal CSR Strategies: Evidence from Italian Micro, Small, Medium-sized, and Large Firms	To explore the differences between formal and informal CSR and to analyze how responsible behavior is managed in firms.	A multi-stakeholder approach, a sample of 3626 Italian companies	Micro companies were found to have the most significant financial benefits. Small and micro businesses are also more vulnerable to losses. Significance of CSR tools is small for all types of firms evaluated.
Sen, S. & Cowley, J. (2013)	The Relevance of Stakeholder Theory and Social Capital Theory in the Context of CSR in SMEs: An Australian Perspective	To investigate the CSR approaches undertaken by Australian SMEs.	Qualitative case-study research in the Gold Coast region of Australia. 12 interviews with SMEs from different sizes and from different industries	SMEs are most concerned with surviving; they also see CSR and a chance to build social capital which could help them overcome and compensate for their limited resources

Spence, L. & Schmidpeter, R. (2003).	SMEs, Social Capital and the Common Good	To analyze SMEs engagement towards the society	Exploratory multiple case-study of 30 firms from different industries located and two countries	Ethical and social reasons can motivate SMEs to do good and SMEs' investments in social capital can be beneficial to both the company and the surrounding societies
Voinea, C. L., Logger, M., Rauf, F. & Roijackers, N.	Drivers for Sustainable Business Models in Start-Ups: Multiple Case Studies	To explain the drivers of CSR in the business models of start-ups	Exploratory multiple-case-study research. Focus on startups based in the Netherlands who act in an international context	Startups treat engagement in CSR as an investment decision. The values of the business also have an impact on the CSR engagement.

2.3 Institutional theory

Similarly to the stakeholder theory, institutional theory is also focused on examining the external pressures that organizations face. The main hypothesis behind the institutional theory is that institutional pressures located in a company's operational environment have an impact on the company's actions (Latif et al., 2020, p. 2). Since companies operate in environments full of institutional pressures, these pressures need to be considered in decision-making processes and are, therefore, also potential motivators for companies' CSR engagement (Campbell, 2007; Ioannou & Serafeim, 2012). Understanding the institutional pressures becomes especially crucial for this thesis as the aim is to examine the CSR motivations in two countries with different operational environments. Most of the research that combines CSR, and the institutional theory has focused on the point of view of larger companies (Al-Mamun & Seamer, 2022; Ng et al., 2022; Tolmie et al., 2020). However, in the following paragraphs a connection between institutional theory and startups' CSR is established based on previous research. Besides providing the basis for the use of institutional theory for the purposes of the thesis, this chapter explores the

theoretical background regarding institutional theory and presents analyses of the operational environments and institutional pressures located in the countries of choice.

The current view on institutional theory began forming when Meyer and Rowan (1977, p. 340) concluded that by integrating institutional rules and norms into their operations corporations could, for instance, improve their chances of long-term survival. More recent research has divided the institutional theory into three types of pressures. The first type is the regulative pressures which comes from laws and regulations applicable to the organizations (Gao-Zeller et al., 2019, p. 1940). The normative pressures, on the other hand, are based on behavior models that are dominant in the market of operation (Gao-Zeller et al., 2019, p. 1940). The last type of pressure is the cognitive institutional pressures which are developed according to individual morality such as culture and values (Gao-Zeller et al., 2019, p. 1940). According to Gao-Zeller et al. (2019, p. 1940), the regulative pressures are mandatory but whether a company decides to answer the normative and cognitive pressures of the market is voluntary.

Answering the voluntary demands of the operational environment can be connected to the philanthropic sphere of CSR. The regulative pressures, on the other hand, correspond to the legal responsibilities of Carroll's CSR pyramid. This indicates that companies need to take at least the regulative pressures regarding CSR into consideration. Even though legislation regarding companies' environmental actions is still a relatively new concept, there is an increasing demand for environmental regulations (Ng et al., 2022, p. 872). In fact, according to Liu et al. (2021, p. 7), over the past few years there has been an increase in laws regulating startups' CSR. Tolmie et al. (2020, p. 794) confirm that regulations have an impact on companies' decision to engage in CSR. As the regulations for startups have also increased in recent years, it can be assumed that regulative pressures are a motivating factor for startups' CSR engagement. The startups analyzed in this thesis come from two European countries where the legislations are heavily influenced by the legislation in the EU, which is why it can be expected that the influence of the regulative pressures does not differ significantly between the countries of choice.

In addition to the regulative pressures having an impact on companies' CSR decision-making, other institutional pressures also need to be considered. If regulatory pressures are mandatory for companies to comply with, normative pressures are generally accepted norms of the industry that are expected to be followed (Gao-Zeller et al., 2019, p. 1940). Examples of normative pressures are, for instance, codes of conduct of the company, the industry, or the area (Gao-Zeller et al., 2019, p. 1943; Husted et al., 2016, p. 2055). These pressures have been proven to have a positive impact on a company's CSR actions (Gao-Zeller et al., 2019, p. 1947; Ng et al., 2022, p. 880). Husted et al. (2016, pp. 2065–2066) argue clusters of companies engaging in CSR can positively impact the other companies of the area to adopt CSR policies by creating norms that are reinforcing CSR engagement. The authors find this to be the case regardless of the size of the company, hence providing support for another potential motive behind startups' CSR engagement. DiMaggio and Powell (1983, p. 156) hypothesize that young companies would benefit from following the practices of the industry and be able to reduce the liability of newness. Thus, the normative pressures could be a motivator for startups to engage in CSR provided that engaging in CSR is common in the industry. In this thesis the companies are from the same industry which is why it could be assumed that the normative pressures among the startups from the same country are not significant. However, based on Husted et al.'s (2016) findings the normative pressures might have an impact when analyzing companies in different countries.

The third dimension of institutional theory, the cognitive pressures include for instance, the cultural beliefs, and values of the managers and employees (Gao-Zeller et al., 2019, p. 1943). The cognitive pressures can develop already early on, for instance, through education or social culture of the country (Al-Mamun & Seamer, 2022, p. 100). Tolmie et al. (2020, p. 796) claim companies should also consider cultural norms when making decisions regarding CSR engagement, thus proving the validity of the third pillar of institutional theory.

Nelson et al. (2006, p. 53) find that the culture to which the individual belongs can have an impact also on the level of obligation that a person feels towards charitable activities.

Since philanthropic or charitable actions are a part of CSR, for instance, in Carroll's (2016) CSR pyramid, the culture could therefore, also have an impact on the individual's obligation towards CSR. According to Nelson et al. (2006, pp. 51–52) findings both men and women in individualistic, masculine cultures tend to follow traditional gender roles, meaning that men tend to be more self-focused and women more focused on others when it comes to charitable motivations. On the other hand, the gender roles in individualistic, feminine cultures are not as rigid leading to women relating more to self-focused and men to others-focused charitable motivations (Nelson et al., 2006, p. 51). As mentioned earlier regarding the social capital theory, startups are generally more involved in their local communities and their decision-making tends to be focused on the owners (Perrini, 2006, p. 309; Voinea et al., 2019, p. 3). This could indicate that they are also more influenced by the cultural pressures surrounding them and that there could be different levels of personal obligations charitable actions.

Al-Mamun and Seamer (2022, p. 114) argued that there are differences in the institutional environments of developed and developing countries. According to research, developed countries education has a positive correlation with CSR engagement as they seem play a bigger role as motivators of CSR behavior in developed countries (Al-Mamun & Seamer, 2022, p. 114). As this thesis evaluates Finland, and Germany, both of which are developed nations, the validity of the third dimension of institutional theory can, therefore, be proven. Similarly to the regulative pressures, the cognitive pressures are assumed to make a difference only between the startups from different countries. The most significant research examining the connection between institutional theory and CSR as well as their link to startups is summarized below in Table 3.

Table 3 Research that combines CSR and Institutional theory

Author(s)	Title	Topic of research	Methodology	Findings
Al-Mamun, A. & Seamer, M. (2022).	The influence of institutional qualities on CSR engagement: a	To investigate the impact of institutional factors on CSR engagement.	CSR engagement in 83 countries including developing and	The financial development of the area and the development of the human capital

	comparison of developed and developing economies		developed countries were analyzed between 2010 and 2014.	formation positively impact CSR engagement in developing countries. In developed countries only the development of human capital had a significant positive impact on CSR engagement. Firm-specific characteristics were not controlled.
Husted, B. W., Jamali, D. & Saffar, W. (2016).	Near and dear? The role of locations in CSR engagement.	To analyze the how geographic variables impact CSR engagement	CSR data, company specific data (financial data, industry etc.) and data to measure distances were analyzed from 2 275 US companies between 1998 and 2009.	Companies located in areas of high levels of local CSR have higher CSR engagement. Companies in bigger cities or financial centers have higher CSR engagement than companies from more remote areas. The results do not differ between large and small or established and new companies.
Ng, P. M. L., Wut, T. M., Lit, K. K. & Cheung, C. T. Y. (2022).	Drivers of corporate social responsibility and firm performance for sustainable development—An institutional theory approach.	To examine the connection of internal and external factors to financial performance and CSR actions	530 Chinese companies from multiple fields were surveyed and the data analyzed through structural equation modeling.	Management commitment, environmental legislative pressure, peer imitation pressure and normative social pressures were found to have a clear link to CSR behavior. Firm-specific

				characteristics were not controlled.
Tolmie, C.R., Lehner, K. & Zhao, H. (2020)	Formal and informal institutional pressures on corporate social responsibility: A cross-country analysis	To examine the influence of cross-country institutional pressures on companies' CSR.	Data from almost 1000 companies from 47 countries was collected and hierarchical linear modelling was performed	Informal pressures that are aligned to stakeholders' expectations and company strategies and values have a significant impact on CSR. The focus of the research was on larger companies.

2.3.1 Operational environment in Finland

Despite the small size of the country, Finland provides an attractive environment for startups. Finland is ranked in the top 10 countries for startups in Europe and worldwide. Finland is ranked 14th (Clark, 2022; StartupBlink, n.d.-a). According to Nordea (2021), there are multiple factors that have helped Finland become the startup hub that it is today. These factors include, for instance, entrepreneurial experience, domestic and global venture capital firms as well as culture (Nordea, 2021). The Finnish government has also seen the importance of startups and has decided to support entrepreneurs in Finland with a Start-up Grant (Työ- ja elinkeinoministeriö, n.d.-a). These factors show that there is potential for Finland to increase its position as one of the most important startup hubs (Nordea, 2021). The attractive startup environment has also supported the rise in the number of startups in Finland. In fact, Suomen startup-yhteisö (2022) finds an increasing number of membership applications. Furthermore, they state that the growing number of startups have a significant impact also on the Finnish economy (Suomen startup-yhteisö, 2022). As the overall importance of startups is increasing in Finland, their sustainability actions through CSR also surge.

When it comes to environmental sustainability, Finland's has listed a goal to become the first carbon neutral welfare society by 2035 (Ympäristöministeriö, n.d.-b). Despite the ambitious goal, the legislation regulating companies' and especially small companies' like startups' CSR actions is still lacking. Finland has investigated creating national regulations that would obligate companies to take into consideration the environment and the society in their operations, but the legislation has not moved past the initial phase (Piiro, 2022). Under current regulations the EU requires reports on environmental and social issues only from certain large companies (European Commission, n.d.-a). More specific regulations for CSR actions on an EU level are still being negotiated (Piiro, 2022). Therefore, due to the lack of governmental regulations startups' CSR specifically, startups can just comply with general legislations concerning the environment such as the Environmental Protection legislation (Ympäristöministeriö, n.d.-a). Since CSR also includes other areas in addition to environmental sustainability companies including startups face many further laws and regulations that they need to follow to keep their business economically and socially sustainable. Companies need to, for instance, comply with international and national regulations regarding human rights and financial auditing (Työ- ja elinkeinoministeriö, n.d.-c, n.d.-b). Therefore, the regulative pressures of the operational environment can act as motivators of Finnish startups' CSR actions.

The normative pressures explain how behavioral models of the area or industry impact the decisions of companies (Gao-Zeller et al., 2019, p. 1943; Husted et al., 2016, p. 2055). Corruption could be one aspect in which the operational environment in Finland has positively impacted companies' actions. According to Transparency International (2022, p. 2), Finland together with Denmark and New Zealand have the lowest corruption rates in the world. Even though many forms of corruption can be criminally penalized in Finland, there is no specific law that criminalizes corruption in general (Oikeusministeriö, n.d.). Husted et al. (2016, p. 2066) argue that many of the same area tend to start sharing values and norms when it comes to sustainability. Consequently, the already existing norms that have allowed the low levels of corruption in Finland could be assumed to act as motivators for the companies to not stand out in a negative manner. As anti-corruption policies are also part of the overall sustainability of a company, the normative

environment could provide further motivations for startups' CSR engagement (European Commission, n.d.-a). Furthermore, Finland is among the countries that have accepted the goals of the United Nations Global Compact (United Nations Global Compact, n.d.). All companies in Finland are therefore, expected to conduct business so that the Sustainable Development Goals (SDGs) can be achieved, thus adding to the normative pressures for startups to engage in CSR.

The cognitive pressures by which startups are surrounded largely depend on the individuals involved in the business. Therefore, the possible motivations for CSR derived from values or personal interests need to be evaluated on a company basis. Education has been associated positively with CSR engagement especially in developed countries including Finland. (Al-Mamun & Seamer, 2022, p. 114). Good quality education has for a long time been associated with Finland. According to the Organization for Economic Cooperation and Development (OECD) in Finland approximately 40% of 25–34-year-olds hold a tertiary education diploma which is somewhat below the OECD average (OECD, 2022). When it comes to the education of entrepreneurs in Finland, Yle (2016) finds that the number of highly educated entrepreneurs has increased significantly. Suomen Yrittäjät (2019) has also listed increasing the education of Finnish entrepreneurs as one of their strategic goals. These findings indicate that the level of education among Finnish startups is rather good. Thus, based on Al-Mamun and Seamer's (2022) findings, the cognitive environment could be a motivating factor for startups' CSR engagement through the levels of education of the entrepreneurs.

In addition to education, social culture is also a source of cognitive pressures (Gao-Zeller et al., 2019, p. 1940). Dimensions of national culture that have been found to have a positive impact on the likelihood of engaging in CSR actions are femininity and collectivism (Esteban et al., 2017, p. 27; Ringov & Zollo, 2007, p. 481). According to Hofstede's cultural dimensions, the Finnish culture individualistic and significantly more feminine than masculine (Hofstede's Insights, n.d.). Characteristics of cultures like Finland are for instance, overlapping gender roles, high equality, and high freedom (Nelson et al., 2006, p. 47). Therefore, based on previous research, the cognitive environment of Finland

could act as a motivator for CSR actions through the tendency towards femininity but also as a hindering factor through the strong individualistic characteristics. Due to the feminine characteristics of the culture, Finnish male founders might have a more altruistic motivation towards CSR and female founders' motivation could be more self-focused (Nelson et al., 2006, p. 52).

2.3.2 Operational environment in Germany

Germany is generally considered to be one of the best countries for startups. According to Clark (2022) in 2021 Germany was the second-best country for startups in Europe. Worldwide Germany was ranked 6th best (StartupBlink, n.d.-b). There are multiple reasons why Germany has gained its position as one of the leading startup hubs. According to Hak (2020), some of these factors are the multiple startup hubs within Germany, collaborations between the local and the national level actors, and access to industry leaders like BMW, Siemens, and Bayer. The German government is also supportive towards startups which makes the operational environment more appealing to startups (Hak, 2020). Startups can gain the support of the German government for instance, through providing training for aspiring entrepreneurs and by offering several funding initiatives or financing opportunities (Federal Ministry of Economic Affairs and Climate Action, n.d.) The German government also decided to support startups through the Covid-19 crisis when the Ministry of Economic Affairs and Energy together with the Ministry of Finance (2020) issued a €2 billion assistance package. The Ministry of Economic Affairs and Climate Action (n.d.) also highlights the importance of startups for the German job market as they are estimated to create around 430 000 new fulltime jobs per year. The appealing startup environment has led to more startups being founded in Germany. The number of founded startups in 2020 grew by almost 13% from the year before (Top 50 Startups, 2021). This shows that the importance of startups in Germany is growing.

Like Finland, Germany has also attempted to build national regulations for CSR, but Germany has been more successful in this attempt. In 2010, Germany released an Action plan for CSR (der Bundesregierung, 2010). In the Action plan for CSR (2010, p. 6), it is stated CSR is not only meant for multinational corporations but also to SMEs. Thus, the

Action plan for CSR would also be applicable for startups. Even though the Action plan can be applied to startups, its aim is only to promote the integration of CSR to companies' business strategies (der Bundesregierung, 2010, p. 7). This means that the actions are not mandatory for the companies. A mandatory CSR reporting legislation (CSR Directive Implementation Act) was issued in 2017 but the principles of this Act are only applicable to large companies (Bundesministerium der Justiz, 2017). Therefore, there are no mandatory CSR actions or reporting that startups need to do in Germany, unless they fulfill the criteria of a large company. Regardless of the lack of applicable CSR laws, German startups need to follow the laws and regulations of the area when it comes to, for instance, environmental protection and labor laws (Verantwortung Unternehmen, n.d.). Therefore, it can be concluded that regulative pressures can act as motivators for German startups' CSR actions. Furthermore, as the Action plan exists, and it has been implemented Germany-wide, regulative pressures for startups' CSR engagement could be more significant in Germany than in Finland.

Though there are not many direct laws and regulations that would obligate German startups to engage in CSR, normative pressures could act as motivators for responsible actions. The Action plan could also act as a normative pressure, as it highlights the importance of companies' sustainable behavior and encourages it (der Bundesregierung, 2010). In the Strategy for Startups, the German government emphasizes the role of sustainability and environmental responsibility specifically for startups (Bundesministerium für Wirtschaft und Klimaschutz, 2022). This could also be seen as an indicator that startups are expected to have some kind of CSR engagement. Similarly to Finland, Germany has also accepted the principles of United Nations Global Compact and, therefore, also the goal to achieve the SDGs (United Nations Global Compact, n.d.). Hence, startups in Germany are expected to operate in a manner in which the SDGs are achievable. As the abovementioned policies are commonplace practices for German companies, startups can be assumed to adopt these standards based on Husted et al.'s (2016, p. 2066) argument that sustainable behavior of the industry and area is often replicated.

As was discussed earlier in chapter 2.3, the cognitive environment depends largely on the people involved in the business, and therefore, it needs to be evaluated on a company basis. The levels of education or the social culture of the country could, however, give some indicators whether the cognitive pressures have an impact on the startup's CSR engagement (Al-Mamun & Seamer, 2022, p. 114; Esteban et al., 2017; Ringov & Zollo, 2007). According to the OECD, approximately 36% of 25-34-year-old Germans have a tertiary education. Compared to the OECD average of 47,5% and Finland's 40%, Germany's level of education is slightly lower. Despite the lower overall level of education in Germany, Metzger (2022) finds that approximately 79% of startup founders have attained higher education degrees which is well above the national average. As the level of education is proven to have a positive correlation with CSR engagement, the cognitive environment of Germany could provide a motivation for startups to engage in CSR.

When the German culture is compared with the Finnish culture, many similarities can be found. Both countries have low power distance, high uncertainty avoidance and are more individualistic rather than collectivistic countries (Hofstede's Insights, n.d.). The most significant differences between the cultures can be found in the orientation towards masculinity/femininity and in the long-term/short-term orientation (Hofstede's Insights, n.d.). As was the case with Finland, the individualistic tendencies of the German culture could have a hindering impact on CSR behavior. According to Esteban et al. (2017, p. 27) collectivistic cultures and cultures that are more oriented towards femininity are associated positively with sustainability actions. As Germany is more individualistic than collectivistic and more masculine than feminine, it can be deduced that the social culture of Germany is unlikely to provide additional motivations for startups' CSR engagement. Social culture could, however, have an impact on female founders' sense of personal obligation towards CSR, as women in masculine cultures tend to respond more to altruistic incentives (Nelson et al., 2006, p. 51)

2.4 Benefits of CSR

In addition to wanting to fulfill stakeholders' expectations, acting based on personal values and relationships or following the regulations of the operational environment,

startups can stand to gain some benefits from engaging in CSR. Even though most researchers such as Bakar and Ameer (2011, p. 58) find a positive connection between CSR and the financial performance, others such as Crisóstomo et al. (2011) find no connection or even a negative one. However, in later research more conclusive results have been found through a shift in perspective.

Since most of the studies examined only the direct relationship between CSR and financial performance, Carroll and Shabana (2010, p. 101) suggest that a broad view of CSR's impacts would be more suitable because it takes into consideration both the direct benefits as well as the indirect ones. Saeidi et al. (2015) state that the inconclusiveness of previous studies is due to the ignorance of the variables which indirectly influence financial performance. Variables to which CSR has a positive relationship with are, for instance, customer satisfaction, reputation, and competitive advantage (Ali et al., 2020, p. 172; Chandler, 2017, p. 20; Saeidi et al., 2015, p. 347). These variables in turn improve the company's financial performance (Ali et al., 2020, pp. 172–173; Saeidi et al., 2015, p. 347). As startups are often in the beginning phases of their life cycle, raising financial assets is extremely important (Jawahar & McLaughlin, 2001, p. 406). Moreover, investors nowadays are also interested in companies' CSR actions adding to the financial benefits startups can gain through CSR engagement (Bocken, 2015, p. 655). Therefore, the financial benefits can be a significant reason for startups to engage in CSR.

In addition to these benefits, Bastič et al. (2020, p. 10) conclude that CSR improves innovation which also has a positive impact on the firm's performance. Barakat et al. (2016, p. 2334), on the other hand, claim that CSR improves company's corporate image which makes employees feel pride, thus improving employee satisfaction. Furthermore, research has shown a connection between CSR and cost savings and enhanced corporate reputation (Ali et al., 2020, p. 173; Luetkenhorst, 2004, pp. 163–164). Besides the already mentioned importance of the financial benefits, these benefits could also provide advantages that are especially crucial for startups. Based on the definition of the EU Startup Monitor (2018) startups are companies that possess an innovative product or business

model. Therefore, being able to maintain and even enhance innovation is essential for startups' success.

Another characteristic of startups that increases the importance of the benefits caused by CSR engagement is the early stage of the organizational life cycle. Research has shown that in the startup stage of the company, the critical concerns are related to organizational survival (Jawahar & Mclaughlin, 2001, p. 406). In addition to acquiring financial resources, startups are focused, for instance, on customer attraction and acceptance as well as attracting and retaining talented employees which can be more difficult for small, new companies compared to big, established ones (Hadi & Ahmed, 2018, p. 44; Jawahar & Mclaughlin, 2001, p. 406; Tumasjan et al., 2011, p. 112). As CSR can be associated with higher employee satisfaction, a positive correlation between the companies' CSR actions employees' retention can be argued (Barakat et al., 2016, p. 2334; Lee & Chen, 2018, p. 957). Higher retention rates in turn decreases the overall costs of a company by minimizing unnecessary recruiting and training expenditures (Terera & Ngirande, 2014, p. 481). This potential benefit could, therefore, be connected to the financial benefits that startups stand to gain from CSR engagement.

The attraction and acceptance of customers is closely related to the marketing efforts of the company. He and Harris (2020, p. 177) state that communicating the company's authentic CSR actions can help shape the relationships with customers. Consequently, CSR actions have the potential to positively impact the customer attraction processes. One factor that influences consumers' buying decisions is the corporate reputation which has also been shown to be improved by CSR (Burlea-Schiopoiu & Balan, 2021, p. 1143). As the benefits described in this chapter are closely related to the focus areas of companies that are in the early stages of the organizational cycle, namely startups, they can be theoretically argued to be motivators of CSR engagement. However, due to limited resources startups are likely to prioritize financial benefits over the others.

3 Framework

After examining the theoretical background of the topic, a conceptual framework is built. This chapter presents the conceptual framework that describes the motivating factors behind startups' CSR engagement. The framework is illustrated in Figure 5.

Based on explored theories, there is no one motivator that explains startups CSR engagement rather it is a combination of various causes (Voinea et al., 2019). All companies regardless of the size must follow the rules and regulations of the area of operation (Gao-Zeller et al., 2019; Ng et al., 2022). Additionally, other pressures coming from the cognitive environment as well as the dominating norms can push startups towards CSR (Gao-Zeller et al., 2019; Husted et al., 2016; Ng et al., 2022). Due to the differing characteristics of startups compared to larger, more established companies the financial and other benefits can be assumed to play a vital role in the CSR decision-making process as they have a direct impact on one of startups biggest priorities, the survival of the company (Voinea et al., 2019). These potential motivators could be emphasized or reduced based on the operational environments of the country of origin.

Other potential motivators for startups' CSR engagement could be the social networks of the founders and the expectations of the stakeholders (Baumann-Pauly et al., 2013; Pillai et al., 2022; Sen & Cowley, 2013; Voinea et al., 2019). However, depending on the startup's priorities, these motivators could be hindered by the characteristics of startups such as limited resources (Voinea et al., 2019). The same characteristics of startups would on the other hand, increase the likelihood that startups' are motivated to engage in CSR by the potential financial benefits (Voinea et al., 2019). The validity of the framework will be tested later in the thesis through the empirical findings.

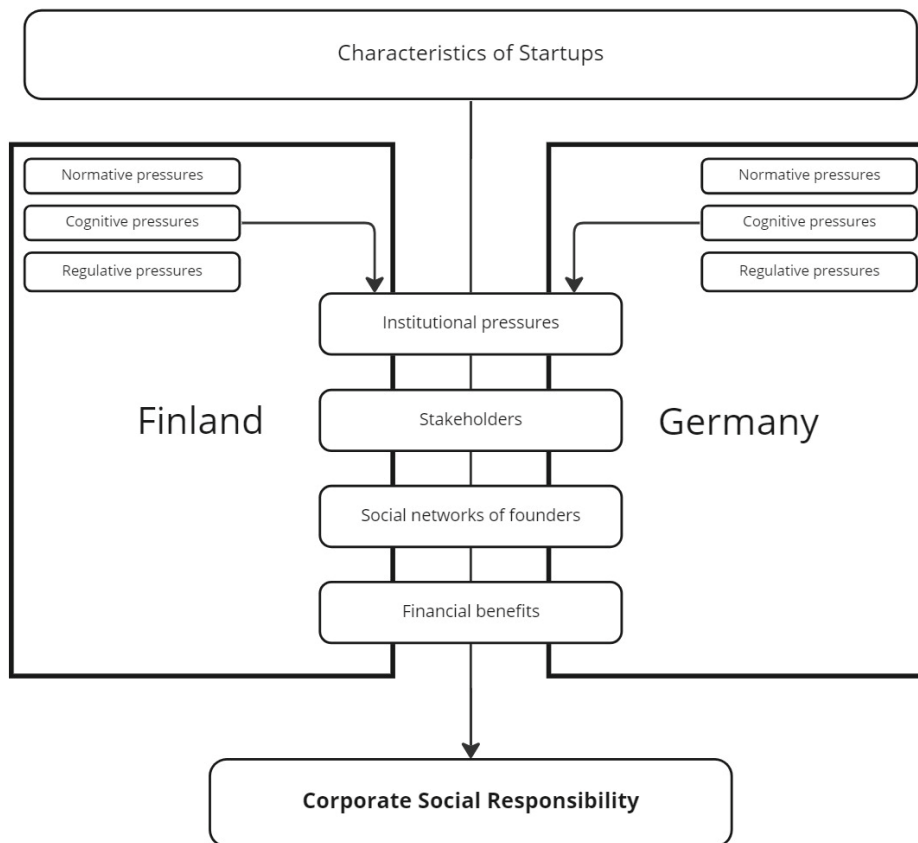


Figure 5 Conceptual framework

4 Methodology

This chapter will introduce the research methodology of the thesis. The chapter provides an examination of the research method, case selection, data collection and sampling. Later, the data analysis will be discussed as well as the limitations, validity, and reliability of the study.

4.1 Research method

To understand the underlying motivations of startups' CSR engagement as well as the differences due to the different operational environments, a multiple-case study will be conducted. In recent years, multiple-case studies have become more popular among researchers (Yin, 2014, p. 56). This research method has also been used often in previous CSR research, for instance, by Baumann-Pauly et al. (2013), Pillai et al. (2022), Spence and Schmidpeter (2003) and Voinea et al. (2019).

Eriksson and Kovalainen (2016, p. 133) divide case studies into two categories: intensive and extensive case studies. Intensive case studies focus on examining one case and providing a comprehensive, in-depth understanding of the company and their context (Eriksson & Kovalainen, 2016, p. 133). As the main objectives of this thesis are to explore the motivations behind startups' CSR engagement and understand how country-specific factors influence them, intensive case study is not suitable. Extensive case studies, however, focus on multiple case companies and they are better suited to research that aims to find patterns (Eriksson & Kovalainen, 2016, p. 136). Yin (2014, p. 56) also specifies that multiple-case studies are better suited for comparative research. Thus, to answer the research question of this thesis an extensive multiple-case-study is conducted.

In addition to suiting the objectives of the thesis better, there are multiple-case studies have some benefits over other types of research designs. Yin (2014, p. 64) argues that multiple-case studies tend to produce better results than single-case studies as there is more to analyze. In a single-case study the understanding of that one case can be more comprehensive than in multiple-case studies (Eriksson & Kovalainen, 2016, p. 133).

However, as the focus is on only one case it is not possible to replicate the results to increase their validity (Yin, 2014, p. 64). Besides replication, contrasting in multiple-case studies is a way to strengthen the results. In this thesis the aim is to replicate the results at least within the companies from the same country. Despite these beneficial qualities, multiple studies also require more resources to conduct which should also be considered when choosing a research design. Due to the time and resource constraints of this thesis, two companies from each country are chosen. According to Yin (2014, p. 62), being able to replicate the results in just one case strengthens the results significantly.

According to Saunders et al. (2007, p. 133), exploratory research aims to increase the understanding of a topic by uncovering how something is transpiring or simply by increasing understanding of a phenomenon. As the main objectives of this thesis are to increase the understanding of what motivates startups to engage in CSR and how the motivations differ between the chosen countries, the thesis is exploratory in its nature. The benefits of exploratory research are related to its flexibility (Saunders et al., 2007, p. 134). It is common that exploratory research begins with a broad focus which then becomes narrower as more data is gathered (Saunders et al., 2007, p. 134). The data gathered for this thesis can modify or even change the direction as the data collection and analysis proceed.

Saunders et al. (2007, p. 313) state that exploratory research is often conducted through qualitative methods such as semi-structured interviews. According to Eriksson and Kovalainen (2016, p. 94) semi-structured interviews are often good data collection methods find answers to questions “what” and “how”. Thus, it fits the research questions of this thesis. Semi-structured interviews will be the main data collection method and the main data source of the thesis. The data gathered from the interviews will be analyzed abductively to answer the research questions of the thesis. In addition to interviews, secondary data sources, such as company websites, are also used. As the differences between the two target countries are assumed to have an impact on the results, secondary data can help understand these differences in contexts. Therefore, secondary data is used to enhance generalizability of the study.

4.2 Case study selection

Two companies from two European countries were chosen as the cases for this thesis. The selection was made based on the following criteria. In addition to the criteria, the justification for each of the criteria is explained below.

1. The company is established in either Finland or Germany.
2. The company is a startup (founded less than 10 years ago, pre-growth or growth phase, has an innovative product or business model).
3. The company operates in the IT/software industry.
4. The company is engaging in CSR in some ways.
5. The company has international stakeholders.
6. The company is willing to participate in the study.

A criterion for choosing the target countries was that they have favorable startup environments. Finland and Germany both fill these requirements (Clark, 2022). When choosing the countries to be analyzed the probability of startups of the countries of choice was also evaluated. Finland and Germany both belong to the European Union which is at least discussing implementing directives that regulate companies' CSR activities (Piiro, 2022). The countries also have normative environments that could encourage startups of these countries to engage in CSR (United Nations Global Compact, n.d.). Hence, the case companies of this thesis must be founded in either Finland or Germany.

The second criterion for the case companies of this thesis is that they are considered to be startups. As has been discussed throughout the theoretical part, startups have different characteristics when compared to larger, more established companies (Retolaza et al., 2009; Voinea et al., 2019). Therefore, in order to be able to analyze the CSR engagement motivations of startups, the companies must fulfill the criteria of startups that is also discussed in chapter 1.3.

Voinea et al. (2019) and Pillai et al. (2022) mention that the industry of the startup might have an impact on their CSR engagement. Thus, the startups evaluated in this thesis

should be from one industry to eliminate the impact of the industry between the analyzed startups. The IT / software industry was chosen as they are important and growing industries in both countries (Business Finland, n.d.; The Federal Government, n.d.). Hence the third criterion for the case companies is that they operate in the IT/software industry.

The aim of the thesis is to uncover the CSR engagement motivations. If a company does not have any CSR activities, it would be impossible to evaluate what would be the motivations for these actions and the findings would only be based on hypotheticals. Therefore, the company needs to have some CSR engagement to be able to qualify as a case company for this thesis.

Another objective of the thesis is to evaluate how the characteristics of the country influence the startups' CSR motivations. Companies that face pressures coming from international stakeholders such as customers, employees or investors have more complex operational environments which also means more potential CSR motivators. Hence, the startups chosen for the thesis should have some international stakeholders.

The last criterion for the case companies is that they are willing to participate in the thesis. The willingness to participate in the study is obviously a crucial criterion. This was secured as the first thing when contacting the companies.

In total four companies are interviewed for the thesis. In the process of finding the companies it became quickly clear that it would be more difficult to find case companies from Germany. The potential case companies were found online by searching for prominent IT startups of Germany. As there were also other criteria that the case companies needed to fulfill, the companies are not only from one list but from lists compiled by multiple sources. In total eight German companies were contacted. Out of the eight, one company denied the request to participate in the interview and five did not answer. The companies were all contacted by LinkedIn, email and by phone.

Compared to the German companies the Finnish companies were easier to reach. As was the case with the German companies, the potential case companies were found through

searching online for growing Finnish startups. Also, the Finnish companies that were contacted were not all from one list but from multiple ones compiled by multiple sources. In total four companies were contacted. Two out of the four denied the request to participate in the interview and two agreed. The companies were contacted by LinkedIn, email and by phone.

4.3 Data collection and sampling

This thesis is an exploratory analysis of the startups' motivations to engage in CSR. A common data collection method for exploratory studies is semi-structured interviews (Saunders et al., 2007, p. 313). In semi-structured interviews, critical topics are covered with the interviewees, and although the themes remain the same in all interviews, the questions might not be identical in all interviews (Saunders et al., 2007, p. 312). Saunders et al. (2007, p. 312) state that depending on the organizational contexts of the interviewees, some questions may be omitted or added during the interview. This will allow the interviewer to ask additional questions, and thus, allow the interviewee to build on their answers (Saunders et al., 2007, p. 315). As the interviewee can answer the questions freely the discussion may bring also new areas into focus that were not thought of prior to the interview, hence providing a rich and detailed data (Saunders et al., 2007, pp. 315–316).

In semi-structured interviews also the personal connection between the interviewer and the interviewee has an impact on the data collection process (Saunders et al., 2007, p. 316). Companies tend to be more likely to participate in an interview rather than filling out questionnaires which makes it more likely to also find participants for the interviews for this thesis (Saunders et al., 2007, p. 316). Although the interviews were held online, the cameras were kept on during the interviews to enhance the personal connection between the interviewee and the interviewer.

Due to the overall significance of the personal connection between the interviewer and the interviewee, it might also impact the data gathered (Eriksson & Kovalainen, 2016, p. 59). As half of the interviews held with people from German companies whose

nationality will most likely differ from the interviewer's nationality, cultural or language differences might also play a role in the data collection (Saunders et al., 2007, p. 327). The reducing the impact of cultural differences, the interviews with the Finnish companies were held in Finnish. The interviews with the representatives of the German companies were held in English which is not the first language of any of the participants of the interviews. Therefore, this should be taken into consideration when evaluating the data.

The sample for this study will be selected through purposive sampling. Saunders (2007, p. 230) states that purposive sampling is the suitable sampling method when the sample size is small, which applies to this thesis. Purposive sampling was also possible for this thesis, as certain characteristics of the case companies and the representatives of the companies were checked in advance. These included, for instance, information regarding the role of the representative, and the characteristics of the company. According to Palinkas et al. (2015, p. 539), choosing participants to a qualitative study based on criteria that is specific to the research question, provides information-rich cases. As the participants chosen based on purposive sampling possess knowledge that is crucial to the phenomenon in question, the data gathered through interviews is detailed and generalizable (Palinkas et al., 2015, p. 539).

As the participants of the study were located in different countries, all the interviews were conducted online. The platform used to conduct the interviews was the Zoom provided by the University of Vaasa which allowed for a reliable setting for the interviews. The people interviewed included three interviewees of two Finnish startups, and three interviewees of two German startups.

The flow of conversation in the interviews was guided by an interview template. The template of questions was formed before the interviews based on the theoretical framework presented in chapter 3. The interview template can be found in Appendix 1. In addition to the questions asked from the interview template, other questions were asked from the interviewees based on their answers to deepen the understanding of the processes of the companies. At the beginning of the interviews, the topic of the thesis,

as well as the key concepts were introduced to the interviewees. The interview questions were also emailed to the participants before the interviews. By receiving the questions ahead of time, the participants were able to familiarize themselves with the questions and prepare for the interview, which according to Saunders et al. (2007, p. 320) is positively correlated with credibility, validity, and reliability of the interviewees' answers.

The duration of the interviews varied between 27 and 86 minutes. The different lengths of the interviews were caused by personality differences as well as personal interest in the topic. Some interviewees provided significantly more detailed answers than others. The interviewees agreed to have the interviews recorded, the recordings were then transcribed for further analysis. The transcription was completed shortly after the interviews had taken place as Saunders et al. (2007, p. 326) note that postponing it might lead to weakened trustworthiness of the data. According to Eriksson and Kovalainen (2016, p. 74) ensuring the anonymity of the participants is a priority of the researcher. Therefore, the interview data, the names of companies as well as the participants is kept private. The companies are referred to by letters and the people are referred to by numbers. Table 4 presents the relevant information about the interviews.

Table 4 Interviews

Company	Interviewee	Position	Duration of the interview	Transcribed pages
Company A	Interviewee 1	Founder	65 min	16 pages
Company A	Interviewee 2	Founder	86 min	18 pages
Company B	Interviewee 3	Founder	32 min	12 pages
Company C	Interviewee 4	Founder	27 min	10 pages
Company D	Interviewee 5	Vice President, People and Culture	35 min	10 pages
Company D	Interviewee 6	Strategic Partnerships	38 minutes	10 pages

4.4 Data analysis

The data gathered during the interviews is analyzed qualitatively within each case. Later on, the findings of each case are compared with the others. According to Eriksson and Kovalainen (2016, p. 24), the most commonly used research logics are deduction and induction. Deductive approach to analyzing qualitative data forms hypothesis based on theory which are then confirmed empirically (Eriksson & Kovalainen, 2016, p. 23). Inductive approach, on the other hand, aims to find theoretical results from empirical research (Eriksson & Kovalainen, 2016, p. 23). Although these two approaches are the most common, Eriksson and Kovalainen (2016, p. 24) state that the combined use of the two aforementioned approaches is also possible. This way of analyzing qualitative data is called abduction. Abduction is based on the idea that both deduction and induction can be used in different phases of the same research project (Eriksson & Kovalainen, 2016, p. 24). For this thesis, deduction is used in creating a theoretical framework which will act as guidelines for the research process as well as data analysis (Saunders et al., 2007, p. 487). Induction, on the other hand, is used in coding, categorizing, and conceptualizing the descriptions of the interviewees and finding an explanation for the phenomenon (Eriksson & Kovalainen, 2016, pp. 24; 120). Due to the abductive approach used in this thesis the framework might change or get specified based on the empirical findings. An abductive approach was selected for this thesis as it fits the exploratory nature of the thesis.

As the goal of the thesis is to understand the phenomenon in question through the answers of the interviewees and more specifically to find commonalities or differences between the case companies, qualitative content analysis is conducted. According to Eriksson and Kovalainen (2016, pp. 119–120) through qualitative content analysis, a holistic understanding of the phenomenon can be achieved. To find the key concepts from the data collected through the interviews, recurring words, phrases and sentences are identified. The data is then coded and categorized. This is done to each case company first individually and later the cases are compared in a cross-case analysis. The data collected

is then compared to the theoretical framework of the thesis and lastly, the findings are compiled.

4.5 Limitations, validity, and reliability

This thesis, like any other academic research has its limitations. A commonly used framework to evaluate the limitations of a study is by analyzing the reliability, validity, and generalizability of the work (Eriksson & Kovalainen, 2016, p. 305).

The core of the first component, reliability, is that the results are consistent and replicable (Eriksson & Kovalainen, 2016, p. 305). Saunders et al. (2007, p. 149) recognize that there can be four major threats to reliability of a study. These threats include participant error, participant bias, observer error, and observer bias. The impacts of these threats were attempted to be minimized in this thesis. To lessen the impact of participant error, the interviews were conducted at the date and time of the participants' choosing. To avoid participant bias, all of the data collected in the interviews was anonymized and data was not shared with any third parties. Furthermore, as most of the participants were founders of the companies, their employment security was not threatened by answering the questions truthfully. The interviews were conducted all by the same person to minimize observer error, and many direct quotes are included in the findings section of the thesis to mitigate the impact of observer bias.

Validity of the results refers to how well the results of the study give an accurate explanation of what happened (Eriksson & Kovalainen, 2016, p. 305). The validity of research can be enhanced by using multiple perspectives to gather the information about the topic of analysis (Eriksson & Kovalainen, 2016, p. 306). This was attempted in this thesis as well by aiming to interview two people per case company. However, due to the small sizes of the startups, in some case companies getting two interviewees was not possible as the responsibilities related to CSR rested solely on one person. In these cases, only one interview was conducted as the validity of the results could have also suffered from interviewing someone who is not qualified to answer the questions. In addition to adding perspectives through interviewing multiple people from some case companies, the

theoretical framework of the thesis is based on multiple existing theories to add to the validity of the results.

Generalizability of the results indicates that the results of the study apply also to wider contexts (Eriksson & Kovalainen, 2016, p. 307; Gibbert et al., 2008, p. 1468). The generalizability of the results of this thesis were enhanced by the sampling processes (Eriksson & Kovalainen, 2016, p. 307). The case companies are all IT/software firms which increases generalizability to firms within the industry that share similar characteristics with the case companies of this thesis. However, one of the major limitations related to this thesis is the fact that it is a multiple case study. According to Yin (2014, p. 57), a multiple case study provides compelling results to the research question if the results are replicated in 6 or 10 case studies. However, due to time and resource constraints, in this thesis only four cases are analyzed. This limitation weakens the validity as well as the generalizability of the results of the thesis and must, therefore, be considered when examining the results.

Despite the attempts to decrease the influence of the threats to reliability, validity and generalizability, the results of the thesis might not be repeatable. In fact, Saunders et al. (2007, pp. 319–320) argue that data collected through semi-structured interviews most often reflects the situation during which the data was collected. They continue by stating that the phenomenon explored are often complex and dynamic, making replication unrealistic. However, by discussing the issues related to reliability, validity, and generalizability transparently, anyone who reads this thesis will be able to evaluate whether the findings revealed in the following chapters can be applied to their purposes. Furthermore, as this thesis is exploratory in nature, it can be considered as a starting point to more in-depth analysis and theory development of the phenomenon (Gibbert et al., 2008, p. 1468). This is also supported by Yin's (2014, p. 68) argument that instead of being directly generalizable to a wider population, multiple-case studies can provide analytical generalizability meaning that the theory can be expanded and generalized.

5 Findings

In this chapter the findings of the thesis are presented. First the findings of each case company are presented as entities of their own and later the findings of the cases are compared among one another. The questions asked in the interviews were based on the theoretical background which is why the topics in the following chapters are similar to the subchapters from Chapter 2. The interview template can be found in Appendix 1. The findings in this chapter are based on the interviews held with the participants as well as information gathered from the companies' websites and social media channels to increase data triangulation and to gain a better understanding of the contexts of each company. To ensure the anonymity of the interviewees, the names of the companies or the interviewees are not presented. In the quotations used the abbreviation of the interviewee is used to identify the source of the quote. The interviewees are numbered according to Table 5.

Table 5 Abbreviations of the interviewees

Company	Company representative	Abbreviation
Company A	Interviewee 1	(1)
Company A	Interviewee 2	(2)
Company B	Interviewee 3	(3)
Company C	Interviewee 4	(4)
Company D	Interviewee 5	(5)
Company D	Interviewee 6	(6)

5.1 Company A

Company A was founded in 2015 in Finland. The company is a Fintech company selling software to B2B customers. Since its establishment, Company A has become profitable,

and it has reached the growth phase in the past years. In the beginning of the company, the employees only consisted of the founders. Later, they slowly grew also in terms of employees. At the moment, the company has 17 employees. The company was owned by the founders and other Finnish investors until recently when a multinational company purchased it. Through this acquisition, starting in 2022 the company is in the process of merging to be a part of a Group. However, Company A still operates and will continue as an entity of their own. The focus in the interviews is in their pre-acquisition CSR actions to align the findings with the purpose of the study. The company operates mostly in Finland and in the Nordic countries.

When interviewing the company representatives of Company A, one interviewee had more experience regarding the topic of CSR. The interviewees confirmed that they had divided their workload so that one had more responsibility over this topic which led to some disparities of the answers. Neither of the interviewees had significant previous experience from CSR but one expressed more personal interest in the topics of sustainability. Regardless of their previous experience or personal values, the topic of CSR was seen as important also in their industry.

« Of course it [CSR] is important. Nowadays the meaning of sustainability also as a source of competitive advantage has become more and more important regardless of the industry in question. The definitions keep expanding to cover more topics and generally speaking the responsibilities of companies that go beyond financial responsibilities are more emphasized. » (2)

« I believe that any company should act in a responsible and sustainable way. Even though we are an IT company, and our emissions may not be as significant as some manufacturing companies' emissions are, it is still good to acknowledge the impact that we do have. » (1)

Even though company A is conducting CSR actions that go beyond following the laws and regulations of the operational environment, Company A has not taken these actions to a strategic level and the actions have not been consistent. Especially in the early phases of the startup, Company A was mostly concerned with the financial goals and fulfilling the minimum requirements of CSR by following the laws and regulations.

« In the early years of the startup phase we had only documented some basic financial goals. Of course, out of the ESG factors, the Governance side was taken into consideration, and we had policies about how the company was to be governed [...]. It was also clear that we were going to follow all the rules and regulations. We had some documentation about our sustainability practices as well, but they were not included in our strategy. » (2)

Despite the company's engagement in CSR, it is understood that sustainability in the industry in which Company A operates is somewhat different from many other industries. The fact that by default the company has less direct emissions than some other more traditional companies, seems to have decreased the prioritization of CSR activities and made the scale of the actions smaller especially in the earlier phases of the company's life cycle.

« Due to the industry in which we operate our CSR actions might be a little different than what they would be in another company operating in a different industry. [...] the actions in our industry might be small. Even though we do try recycle as much as possible they still only make a small impact since our instruction on recycling paper and cardboard for example are a lot simpler than in some manufacturing industry. » (1)

Company A has not conducted any formal kind of stakeholder analysis and the prioritization of the stakeholders has been based on who is the closest. As no formal analysis is conducted the stakeholders mentioned by the interviewees are mostly primary stakeholders and they are mostly related to the immediate financial performance of the company. Although the stakeholders have not been identified for the purposes of CSR, the interviewees recognize the impact their stakeholders, especially their customers, have on their CSR actions and decisions.

« Then later, when the software was ready, and we were able to start making deals with also bigger companies they would require from us certain things related to corporate responsibility when they sent us offer requests. [...] We have a Corporate Social Responsibility document, that was originally created based on a customer need, where our actions are categorized into environmental, social, and governmental sections, so it follows the style of ESG reporting. » (2)

« Typically, if we get an offer request especially from a bigger international company, they ask us to follow for instance ethical codes of conduct [...] or ask us to commit to their principles of sustainable development and it is important that we can prove that we can comply with these commitments. » (2)

« Some of the offer requests we get can include very generic demands, for example, they might ask us to not use child labor. This might seem, not silly, but something that we take for granted and, of course, we want to comply with these commitments of our customers » (1)

A factor that seems to motivate the CSR actions of Company A even more than the needs and requirements of their customers is their own values, supporting the findings of previous research on social capital theory and startups' CSR motivations.

« We operate in Finland supporting Finnish labor and Finnish service providers. This decision is made based on our values and it is even written into our strategy. » (1)

« The donations we make to charity [...] everyone can suggest suitable charities for the donations. Then based on the suggestions we get, we decide together where we want to donate the money. » (2)

« When the (financial) situation got a little easier, it was possible to also start focusing on other things. The balance (the financial obligations and other obligations) can be found when moving forward with people whose values are aligned and the priorities are always at the back of their heads even though they were not at the top of the priority list in the beginning of the startup. » (2)

The interviewees also mentioned that as financial sustainability creates the base for all operations, it has acted as a motivator for their CSR actions. Even though the interviewees listed that they are considering their customers' needs and expectations because they are one of the company's key stakeholder groups, they also admitted that financial gains have also been partly behind these decisions.

« Our customers also require some CSR actions from us, so we have thought about them, and made decisions regarding them. So, the reasons for these actions are also partly financial. » (1)

« This is the type of world where competitive advantage could be sought after more and more whether it is by conducting some type of CSR reporting or by acquiring certifications. If you do not have the right documents or right certifications ready you might find others who have them are better off. And it makes sense to put effort into these things because sometimes it might lead to lost sales if you do not have them ready to be presented. » (2)

Regarding the operational environment of startups and the various pressures that may prompt them to engage in CSR activities, Company A specifically acknowledges the influence of regulatory factors.

« A company of course has responsibilities that are dictated by laws for example we have to pay taxes, handle the governance of the company lawfully and pay our employees their salaries and so on. So, I would say that first and foremost CSR is based on following the laws and regulations. » (1)

« We follow them (changes in laws and regulations) ourselves through different media. In addition, our stakeholders can give us information if the laws and regulations regarding their operations have changed. For example, our accounting firm will keep us updated if there are some changes, we need to be aware of from that side. » (2)

In addition to the regulative pressures, Company A has adapted to the normative environment of the industry by finding inspiration from bigger companies' actions.

« Banks are good customers for us, but they are also a competitor of ours as they can also offer some similar products to companies and therefore, we operate partly in the same market. Of course, we follow what they do as banks are often very responsible when it comes to this type of reporting and documenting. We follow them not only because we are interested in what they are doing but also because we can get inspirations about how a small company could operate in terms of CSR. » (2)

Indications of the impacts of the cognitive environment can be found from the values and the education of the interviewees. Both interviewees have higher education degrees and they both state that they are personally interested in sustainability. However, they both received their degrees when CSR was not yet a generally recognized topic in studies and their degrees did not include any studies regarding the topic. Furthermore, neither of the interviewees had any practical experience from CSR before founding the company. Both founders that were interviewed were Finnish men. The company had made some donations to charity instead of giving Christmas gifts to their stakeholders. This could indicate an altruistic charitable motivation that is shaped by the cognitive environment.

« [...] we have decided not to give Christmas gifts or cards to our customers and other stakeholder groups and instead we have decided to use the money to do something good. If I remember correctly, one year we donated the money to an organization working on improving the mental health of the youth. One year we donated the money to Pelastakaa Lapset Ry. So, we have wanted to support causes like these instead of buying gifts. » (1)

5.2 Company B

Company B was founded in 2018 in Finland. The company is a software company that operates in the IT-consulting / IT services industry. The customers of Company B are B2B customers, and the company provides its customers with a platform to help with strategic decision-making. The company has received funding from several funding rounds and several investors. Company B is in the scaling phase of its business. In addition to Finland, the company has customers from all over Europe, for instance, from the Netherlands, Denmark, Italy, and Austria. The company currently has 7 employees including the founders of the company.

The company has two founders. The founder that was interviewed for this thesis is the CEO of the company. The interviewee mentioned that the other founder is more responsible for the technological management of the company and, therefore, does not have the necessary information regarding the company's CSR activities and policies. To gain a more comprehensive understanding of the actions of the company as well as its context, secondary data sources such as the company website and their social media platforms were also used in addition to the data gathered from the interview.

The CEO and founder of Company B is an experienced entrepreneur who has worked his entire working life in companies founded by himself or by his family members. The interviewee mentioned that although having experience from leading a company, his experience when it comes to CSR is very limited. Despite this limited professional experience of CSR or sustainability, the interviewee acknowledges that being responsible and trying to act sustainably are part of his values.

« Of course I try to do things not only driven by selfish causes and out of seeking benefit for myself. Even though own benefit can be a core motivator, it cannot and should not be achieved at a harming cause to the society or the environment. That would be against my own personal values » (3)

Company B is still in the early stages of the organizational life cycle and therefore, the focus of the company has been mostly directed to growing the business rather than engaging in CSR. From CSR point of view the company has taken some actions but they

have been mostly reactive, one-off actions that have been business driven. The interviewee mentioned that even though they have completed some CSR initiatives that have benefited society, more comprehensive and strategic decision-making in this field will be a task for the future once financial stability is achieved.

« We are still so early on that we are going business first and trying to survive. We haven't been able to put too much effort into the sustainability part of our company yet. Now all the focus is on growing the business. » (3)

Although the company understands the importance of being responsible and sustainable, as a software company being sustainable might differ from, for instance, manufacturing companies' sustainability. Due to the characteristics of the industry, the interviewee posits that focusing on achieving financial stability is more crucial than coming up with a CSR strategy at this stage of the company. Operating on investors' money is also a characteristic to startups which is an indicator that these characteristics have hindered the company's CSR engagement.

« We are in the software business which means that there are not that many emissions that are caused by us. Our business is also in general not as harmful as business that for example creates a lot of waste or uses much more energy. In businesses like that it would be even more important to think about sustainability at this point. And we are also not yet at a point where we could for example make donations to charities because we are still mostly operating on our investors' money and that's not the reason for which we have received the investments. » (3)

According to the interviewee, the company has not conducted a formal stakeholder analysis. The founder is, however, aware of the most influential stakeholders to the company mostly from a business perspective. The prioritization of the stakeholders has consequently also been done based on the influence that the stakeholder group has on the financial performance of the company as well as the stakeholders' closeness to the company.

« We have not thought about it in too much detail. As a founder I have of course gone through who our stakeholders could be at least on some level. Some stakeholder groups are obviously groups that we need in order to get ahead. [...] Customers of course are a stakeholder group that is important. We need to be able to help customers so that they see some value in what we do. Then there's employees who need to be motivated and supported also in other aspects of life in order for

them to be motivated and perform well. Then there's investors who are obviously very crucial as they have given us their money and we need to be able to show that we can do something meaningful with the money. » (3)

Even though the company has not yet received any requirements from their customers regarding CSR, an investor has required them to provide information surrounding the topic. Therefore, the stakeholders have had an impact on the CSR actions of the company. The requirements of the stakeholders have also had financial implications for the company which indicates that the motivation behind the action was not only the attempt to maintain a good relationship with the stakeholder but also financial motivation.

« One of the venture capitalist firms that has provided us with funding required us to provide an ESG type of report on our sustainability. They are an equity fund and the entities such as Business Finland that invest in them require sustainability reporting from them and consequently, they require it from the startups in which they invest. [...] We have completed this reporting for them twice now as it was a requirement to get the investment we needed. » (3)

As the company is still in the early stages of the life cycle and the management of the company is done by the founders, the interviewee recognizes the importance of their own values when it comes to the motivations behind CSR engagement. The interviewee, for instance, mentioned that supporting education is important for him personally. This value is also visible in him taking part in the thesis interview but also in the partnerships that have been formed between Company B and universities and institutions. According to the website of Company B through the partnership academics can access the data in the company's platform free of charge.

« Maybe it (CSR engagement) is also personified to me and my values at this stage of the company as I am the representative of the company also in this interview. My values are surely the biggest impacting factor, especially at this stage. Especially in a small company like this one, based on my values I have recruited people who most often also share my values and therefore, the values of the other employees and company are very much aligned with my values. » (3)

As mentioned earlier, Company B has experienced outside pressures coming from their investors to report on the sustainability of the company. Other external pressures that would have an impact on the company's actions are the laws and regulations that are applicable to them.

« Of course, following the laws is also important. Maybe one day when we become profitable, we will also be able to contribute to society by paying taxes but so far that has not happened yet. [...] Our field of business is something where it is relatively easy to not break any laws but of course we want to stay up to date on important laws like for example the data protection laws and we have looked through our practices together with a lawyer to make sure we are being responsible also on that area » (3)

In addition to the regulative environment being a potential motivator to engage in CSR activities, the interviewee acknowledges that especially in the future the normative environment could also have an influence on the actions that Company B takes. However, so far this has not been a relevant motivator.

« I can only remember one competitor who has mentioned in their external communication that they are doing some charity work or donating a part of their revenue to some cause as a part of their CSR. I could see that it (the actions of the competitors) could also have an impact on our decision-making at some point. It does help create a certain image about a company when you communicate that you are also concerned about something other than your own profits. » (3)

Regarding the influence of the cognitive environment on the company's CSR decisions, the founder has a higher education degree and at least some interest in the topic. The founder is a Finnish man which could have had a positive correlation with CSR actions due to the tendency to be a more feminine culture. An indication of the impact of the Finnish culture could be found in the interviewee's reflection about equality as it is characteristic to Finnish culture to highly value equality (Nelson et al., 2006). This indicates that the cognitive environment might have some implications to the company's CSR activities. However, to determine the exact implications of the cognitive environment on the company's CSR engagement more evidence would be needed.

« We want all kind of people in our team and not an office full of Finnish men. People that come from different backgrounds have different point of view and that is very valuable. [...] In it (in the company's hiring policies) equality is highlighted and that everyone starts from the same situation with us. It does not matter what gender you are or where you come from. We look at the person and if they are a good person, we might want to hire them » (3)

5.3 Company C

Company C was founded in 2015 in Germany. The company is a Fintech company that offers its B2B customers a software that helps with helps automate their customers' internal financial management processes. The company is in the growth phase of its lifecycle. The company has been growing their business without much external help or capital. The company currently employs 18 people including the two founders of the company. The company operates mostly in Germany, but they also have some customers in other German speaking European countries.

Out of the two founders of the company, one was interviewed for this thesis. The interviewee mentioned that the founders had discussed the topic together before the interview to align their answers. Therefore, the answers of interviewee 4 represent the views of both founders of Company C. In addition to the data gathered in the interview, information is also collected from the company's website and social media platforms to gain a more comprehensive understanding of the actions and the context of the company.

Neither of the founders had much previous experience with CSR. However, interviewee 4 expressed some personal interest in topics surrounding sustainability which is shared by the co-founder. According to the interviewee, the company does not have a specific definition of CSR but the understanding of what it entails is based on the founders' definition of the topic.

« Being sustainable is important in a way that I am obviously also aware of what is going on in the environment in these times. It is important for me that I at least feel like I'm not making it worse with what I'm doing. As I said before I'm not going as far as to come up with something that saves the world with what we do. Not really, not with making a financial management software, not in the sense of environment but at least we are doing something small, and we can a good consciousness. » (4)

« What I've said before regarding my understanding of CSR and sustainability, I would say also applies to the company. » (4)

In addition to following the laws and regulations Company C also has actions that go beyond the bare minimum. Even though the company has several CSR initiatives both

regarding the social and the environmental aspects of CSR, according to the interviewee the company is not conducting these actions strategically. However, based on the interviewee's answers it is apparent that the topic has been thoroughly examined within the company and that the company is putting effort and resources into CSR. The company has even communicated some of the actions on their social media platforms.

« What we decided to do for now is that we will dedicate 1% of time for doing something for the common good. We allow our employees to dedicate 1% of their working time to a common project of their choice. [...] Another thing that we do is that if anybody, any employee wants to donate something to a common cause we take the money that they donate, and we double it [...] Another thing that we recently started doing and where we have the first session at the end of this month is that we will plant one tree for each new customer. [...] They're all quite new. We've been thinking about what we can do, and we have had a lot of discussions in the past few months and the last year actually and now we thought ok maybe it's time to actually start doing something. » (4)

« As self-proclaimed Nature and Forest enthusiasts, we took a trip to [...] forest last Sunday. Here we were able to plant around 600 new German oaks. » (translated from the social media account of Company C)

Company C is aware of the most important stakeholders from the business perspective, but they have not conducted any formal kind of stakeholder analysis. They also have not considered their stakeholders from the perspective of CSR. The interviewee mentions that they have not recognized any pressures to engage in CSR from their customers, but some employees have expressed their interest in doing something for the common good. This indicates that despite recognizing it they are facing pressures from some stakeholder groups. As Company C is still a small company they have chosen to act on the needs and expectations of the stakeholders that are the closest to them and where they can make a difference.

« Obviously the employees and the customers are important stakeholders to us. [...] I would say that the most important stakeholders are the ones who are the closest to us and where we can make an impact. [...] In the end I guess the society as a whole and the environment could be also stakeholders, but I think we are such a small company that we don't really have a real impact on the society » (4)

As the employees of Company C have expressed their interest in the company's CSR engagement, and the founders have a certain personal interest in the topic, it can be

deduced that the values and the culture of the company have been a motivating factor in the company's CSR engagement.

« If we were only a company that is only interested in what we are doing from the product point of view and only in optimizing financials and not caring about anything else and having no other interests in our lives, then obviously we would not have done anything for these causes. » (4)

The interviewee mentions that they have not received any requests from their customers regarding the company's CSR actions. According to a publication about Company C, most of the company's customers are SMEs. Their target customer segment and the fact that current CSR regulations do not apply to SMEs might explain the lack of customer pressures related to CSR. Even though the company has not received direct financial benefits through their CSR engagement, they have acknowledged that their employee satisfaction has risen and that their CSR actions have contributed to the positive image of the company to the investors. Hence, the company has gained benefits from their CSR engagement which can also motivate them to continue with the actions.

« I do believe reporting about our CSR and sustainability activities contributed to the overall positive image that they [the investors] got from our company in the investment process. » (4)

« Besides the personal motivation it's [CSR engagement] also the question about giving the employees a sense of, ok we are doing something good here and at least some percent of my time I can dedicate to something good. So, in the end it's also targeted towards increasing employee happiness. » (4)

Company C mentioned that the most important aspect related to CSR is complying with national and regional laws and regulations. Therefore, the regulative environment would motivate Company C to modify their CSR engagement.

« We do our best to stay up-to-date about all the regulations that are applicable to us. We try to see ourselves if there are some changes to the laws, but we also get outside experts' advice and if there are some changes that are needed we make sure to make them happen. » (4)

Another motivator that Company C has coming from the operational environment is the normative environment. The interviewee mentioned that they were inspired to take on one of their CSR activities due to its upcoming popularity in Germany.

« And the other thing with the 1% pledge that has been brought to our attention. I don't know the source anymore, but it's becoming more popular now at least in Germany. The pledge has been becoming something that you see more and more in Germany, and we were thinking ok maybe that's something interesting and that we can do too. » (4)

Even though the cognitive environment has had an impact on the company's CSR engagement through the values of the founders, other connections between the cognitive environment and the CSR engagement are not significant in the case of Company C. Both founders hold a higher education degree but there were no indicators that their educational background had influenced their decisions in their CSR engagement. The founders are also both German men which based on previous research and the interviewee's answers also did not seem to influence the CSR engagement decisions. On the other hand, their general interest in sustainability themes seems to have had an impact on the CSR engagement through the values that the founders have but the overall effects of the cognitive environment are not relevant based on the available data.

5.4 Company D

Company D was founded in 2019 in Germany. The company is a Fintech company providing mid-sized companies with financial management software. The company has received funding from several funding rounds and several investors. Company D is in the scaling/growth phase of the organizational life cycle. In addition to Germany the company operates in the UK, Netherlands, Austria, Belgium, France, Spain, and Italy. The company has offices in Germany, UK, Estonia, Poland, and the Netherlands. In the five offices in total over 300 people are employed.

As the company is larger than the other case companies the decision-making is also more divided within the company. The founders are no longer responsible for CSR. Even though the division of the tasks is still being figured out within the company, the people team of the company has overseen the CSR activities that the company has engaged in. Therefore, unlike with the other companies the interviewees representing Company D are not founders of the company. The interviewees have worked at the company almost from the start of the company. Interviewee 5 is the head of the people team and

therefore, had the most relevant information regarding the thesis. Due to her position, interviewee 5 is only in contact with internal stakeholders of the company. Interviewee 6, who represents the company's strategic partnerships division, was also interviewed to gain a more in-depth understanding of the company's CSR engagement motivations also when it comes to external stakeholders and pressures. In addition to the data gathered from the interviews, other secondary sources of data have also been used, including the website of the company as well as their social media accounts.

The interviewees have had some experience with CSR from their previous employment or university degrees.

« Not deep experience I have to be honest. I have worked for organizations that have had quite strong CSR agendas, but I haven't personally been responsible for designing CSR programs, or delivering them. As a participant, yes, I have taken part in them. » (5)

« Throughout my studies I had a few courses in which CSR as a concept was mentioned, but there was never a deep dive into the topic or a specific course that I've taken, or things that I've read. » (6)

In addition to having some experience from participating CSR initiatives, both interviewees expressed a personal interest in the topic. Interviewee 5 also mentioned the importance of CSR engagement to the younger generations to which both interviewees belong and its impact on their job satisfaction.

« It's really important to me personally and what I've seen actually as I've moved from working in a bigger enterprise type company to a startup environment is that it's a very important topic for a lot of kind of our millennial staff, and it is something that they care about. » (5)

« Personally, I think it is very important to address those topics since I belong to a generation that has seen all kinds of crises like for example the climate crisis or the covid-19 pandemic. And my generation will be impacted by them in the long run. » (6)

Besides following the rules and regulations of the operational environments, the company has actions that go beyond the minimal requirements of the laws.

« I think our CSR activities until now have been kind of one-off and people would see these as random moments at which we kind of give back or, do things for others. But I don't know if people see this as kind of a connected effort and that we have as a company described the role that we want play in it. We just want to support our community needs or even the ecosystem that we operate in the Fintech space. » (5)

Interviewee 5 also mentions that the characteristics of the IT industry and more specifically the Fintech space have had an impact on the urgency in which the company has needed to consider CSR topics.

« I think one of the challenges in getting something like this really going in the startup space, if you don't have a business that's necessarily organically aligned, and with a clear CSR connection, like a startup on, renewable energy or something with a climate focus. There's kind of just a natural connection there. We operate in the Fintech space, so there's no kind of natural connection points to broader CSR topics. » (5)

In addition to the lack of a natural connection of the industry to CSR topics, interviewee 5 mentions the challenges that might present themselves due to the characteristics of startups.

« Also being in a startup environment, if there isn't this organic easy connection it's very hard to find ownership within the team for CSR topics, so a lot of people might say like, this is a people topic, but others would say it belongs to marketing or somewhere else. So the problem is should it be a topic that belongs to commercial teams or operational teams or the CEO or the CEO office, so ownership I think is an issue. » (5)

Company D has not conducted a formal stakeholder analysis. However, the interviewees are aware that some stakeholder groups have influenced the company's CSR decisions. The company has received some questions regarding CSR from their potential customers and one of their investors has requested them to report on the company's sustainability. Furthermore, the employees of the company have shown interest in increased CSR engagement.

« [...] we have been asked about it sometimes, for example if we have certain certificates that prove that we are a sustainable company. That does not happen often, but it has happened. » (6)

« One of our investors, what they've done for all the portfolio companies is actually kick off, they call it ESG monitoring. So environmental, social and so on. And they have kicked it off for their whole portfolio. And we're one of the portfolio companies and what we need to do is submit inputs so that we can, I guess be tracked and benchmarked within their portfolio. » (5)

« We had one employee, for example, when the war in Ukraine had started, who was collecting donations and we actually had the founders of the company match donations or give company donations to support this initiative. » (5)

Despite having received questions regarding the company's sustainability from one investor, Company D does not recognize that they would have acquired any financial benefits through CSR engagement. So far, the emphasis has also been on fulfilling the financial goals rather than putting effort into social or environmental responsibilities.

« We haven't identified what our targets beyond financial ones are or what we believe our responsibilities to be. I'm not sure that this is kind of even a material consideration for us at this stage. [...] I think the actions we're taking are so small that we almost never have to make like trade-offs with business decisions to execute them. » (5)

« [...] the questions regarding CSR specifically have at least so far not come up often enough to take priority as they have not to our knowledge caused us too many losses with potential customers so we have focused on the requests that give us the bigger financial benefit. » (6)

Even though organizing the company's CSR engagement does not fall under the founders' responsibilities in Company D, according to interviewee 5, the values of the founders still play a major role in the decision-making process regarding CSR.

« We're still kind of a founder lead company. So the founders are very present and they're very influential still with the employees. So having their inputs and buy in on the charities we choose, having their participation in events that we do like the auction and also the step challenge that we do, I think makes people excited to also join in and participate. » (5)

« At the time for the last auction I was involved in in the selection and what we did as a project team was we came up with a list covering organizations that are involved in both the environment or more social aspects and then I discussed with the founders if there were any causes that they felt especially passionate about, they gave some feedback and then we narrowed it down on these two causes. » (5)

Company D is actively monitoring the regulative environment of the countries of operation to be able to fulfill the minimal requirement of following the laws and regulations. Therefore, changes in regulations regarding CSR also cause Company D to adjust their activities.

« [To follow the laws and regulations of Germany], we make use of a specific tool that helps us stay up to date with any changes there. We also have our general Counsel informing us of any big changes and for other countries we work with an external law firm who keeps us updated if anything changes. » (5)

« [...] if there is something [changes to laws] we of course will adapt to the laws. That would of course also apply if the laws about CSR changed. » (6)

Company D has only a limited amount of awareness of the CSR actions of other entities in the operational environment. The CSR activities that they are aware of have not made a difference in their CSR engagement as the potential benefits have not been significant enough. This could change once the investor has completed the benchmarking of the portfolio companies and Company D can see where they are situated compared to others. However, so far, the normative environment has not acted as a motivator for the company's CSR engagement.

« the outcome of this [sustainability reporting conducted for the investor] would be that we would see where we stand in relation to our competitors or other startups in at least the European tech scene. [...] I am not sure what we will do with the information yet but at least it will be interesting to know. » (5)

The interviewees, and the founders of the company all have university degrees supporting the general assumption that they could be more inclined to engage in CSR. The founders are experienced entrepreneurs, however, their previous experience both academic as well as professional is more focused on the business side of the companies' operations. The interviewees recognize that the cognitive environment through the characteristics of the culture could become a motivator for the company's CSR actions at some point even though it has not been one so far.

« Germany and Germans like to see itself being in the forefront of doing things. Therefore, also when it comes to CSR, companies including my company would not like to lag behind. The only thing is that we do not yet see the necessity for it which

is why we also do not have a strategy related to CSR and also the activities so far have not been that extensive. But I think time for it will definitely come and maybe others will have to take the first step and we would then catch up. » (6)

5.5 Cross-company analysis

In this chapter the findings from the individual cases are compared among one another. The aim of the chapter is to find the differences and the similarities in the motivators of the case companies. As the companies were chosen based on a certain criterion, the differences between the companies that have the same country of origin should be minimal. However, since the as one of the objectives of this thesis is to understand how the operational environment of the country of origin influences the startup's CSR engagement motivations, differences are assumed to be found between the German and the Finnish companies.

None of the companies interviewed had conducted any type of formal stakeholder analysis. Even though there was the way in which the companies considered their stakeholders was more informal, all of the companies exhibited indications that the stakeholders had one way, or another influenced the companies' CSR engagement. The differences between the case companies arose when analyzing the proactiveness of the responses to the stakeholder needs. The Finnish case companies A and B had received direct demands from their stakeholders to engage in or report their CSR engagement. Their CSR engagement is mostly reactive based on the needs that the stakeholders bring to them.

« We have different channels through which customers can contact us with feedback. [...] And with employees they can also freely give us feedback. [...] Maybe we haven't really seen or heard any requests regarding CSR after the customer has already signed the deal with us. The expectations mostly come up in the offer requests and when talking about partnerships or commitments to Codes of Conduct. » (2) (Case A)

« So far, we have only received one request that is in some way related to our company's CSR and that is the demand to provide our investor with a report about our company's sustainability. » (3) (Case B)

Similarly to the Finnish companies, the German case companies C and D have also received direct demands regarding CSR. However, in comparison to the Finnish companies,

the German companies have in addition attempted to proactively find out the needs of their stakeholders and satisfy them without being demanded.

« We have been talking to employees about what they would like to do in terms of doing something for the common good. They have said that they would also really like a sense of purpose in some way. This [the company's choice in CSR engagement] is kind of what turned out based on the discussions. » (4) (Case C)

« I think when the idea, especially for the charity auction was generated, it was like, how can we not only benefit ourselves by coming together and having a nice event but also how could we, especially at Christmas time, do good for the world and make employees also feel great about doing something for the greater good and we did it and the response was so positive that we actually decided to redo it. » (5) (Case D)

Another difference that was present in the findings between the case companies related to the perceived benefits of CSR engagement. The Finnish case companies A and B both mentioned that they have gained financial benefits through CSR engagement.

« Our customers also require some CSR actions from us, so we have thought about them, and made decisions regarding them. So, the reasons for these actions are also partly financial. » (1) (Case A)

« We have completed this reporting [about the company's sustainability] for them [the investors] twice now as it was a requirement to get the investment we needed. » (3) (Case B)

The German companies C and D, on the other hand, have not found their CSR engagement to have financial benefits for the companies. Even though they have not experienced financial benefits, both companies mentioned that their CSR engagement has improved employee satisfaction in the companies. This was also mentioned to be a motivating factor for future CSR engagement.

« it's [CSR engagement] also the question about giving the employees a sense of, ok we are doing something good here and at least some percent of my time I can dedicate to something good. So, in the end it's also targeted towards increasing employee happiness. » (4) (Case C)

« I think it [company's CSR engagement] helps to deepen employee connection to the company. So that also has an effect on kind of overall engagement and like general feelings of like satisfaction, and positivity in a very performance driven culture. » (5) (Case D)

When it comes to the impact of the cognitive environment on the companies' CSR engagement, all interviewees and founders of companies have higher education degrees which is a part of the cognitive environment that has been positively associated with CSR engagement (Al-Mamun & Seamer, 2022). Also, all the companies emphasized the importance of acting according to the values of the company and especially the founders. Values are shaped by the cognitive environment of the individual (Gao-Zeller et al., 2019, p. 1943). Therefore, all companies exhibited to some extent motivations that can be based on the cognitive environment. However, the Finnish companies A and B exhibited further implications of the cognitive environment into the companies' decision-making.

« we have decided not to give Christmas gifts or cards to our customers and other stakeholder groups and instead we have decided to use the money to do something good. If I remember correctly, one year we donated the money to an organization working on improving the mental health of the youth. One year we donated the money to Pelastakaa Lapset Ry. So, we have wanted to support causes like these instead of buying gifts. » (1) (Case A)

« We want all kind of people in our team and not an office full of Finnish men. People that come from different backgrounds have different point of view and that is very valuable. [...] In it (in the company's hiring policies) equality is highlighted and that everyone starts from the same situation with us. It does not matter what gender you are or where you come from. We look at the person and if they are a good person, we might want to hire them » (3) (Case B)

The German companies C and D, on the other hand, do not deny the possibility of cognitive environment's impact on CSR decision-making but they do not consider it to be applicable to them at least for now.

« Germany likes to see itself being in the forefront of doing things. Therefore, also when it comes to CSR, companies including my company would not like to lag behind. The only thing is that there is not yet necessity for it which is why we also do not have a strategy related to CSR and also our activities so far have not been that extensive. » (6) (Case D)

While the above-mentioned motivations varied between the companies based on the country of origin, also other patterns in the different motivations could be found. The CSR engagement of case companies A and C has been impacted by the normative operational environment of the countries of origin. Both companies have taken inspiration

for their CSR actions either from their competitors or from other companies that are close to them in other ways.

« Of course, we follow what they do, as banks are often very responsible when it comes to this type of reporting and documenting. We follow them not only because we are interested in what they are doing but also because we can get inspirations about how a small company could operate in terms of CSR. » (2) (Case A)

« And the other thing with the 1% pledge that has been brought to our attention. I don't know the source anymore, but it's becoming more popular now at least in Germany. The pledge has been becoming something that you see more and more in Germany, and we were thinking ok maybe that's something interesting and that we can do too. » (4) (Case C)

Comparatively, companies B and D are either not aware of the CSR actions of other companies or the actions of other competitors have not played a role in their CSR decision-making. This indicates that the normative environment has not been a major motivator for the companies' CSR engagement.

« But when it comes to the CSR actions that they [the competitors] have, no, we have not taken up a CSR activity just because our competitors are doing them because we have not seen the need for it, at least not yet. Until now we just haven't seen the necessity for it yet as it has not come up that often in the discussion we have with our customers. But like I said, there's so far only one competitor that we know of that has done some things related to CSR. » (6) (Case D)

« I could see that it (the CSR actions of the competitors) could also have an impact on our decision-making at some point. I haven't seen that it would bring us significant competitive advantage at this point. » (3) (Case B)

Case companies A, B and D all mentioned that due to the characteristics of the industry CSR engagement is potentially less important than in some other industries. Company C, on the other hand, did not mention that the characteristics of the industry would have negatively impacted the prioritization of CSR. On the contrary to the other case companies, Company C has tried to benefit from the industry-specific characteristics to make it a core part of some of their CSR activities.

« Obviously as it is accounting software there's no immediate connection to doing something good for the world. But at least reducing the consumption of paper is something where we can say ok, maybe that's actually a benefit that can be achieved through our software. Then we thought about it further and you can say

ok, on top of reducing the trees that need to be cut down for the paper that would have been used for paper, we also wanted to increase the impact by planting new ones. » (4) (Case C)

While all case companies mentioned that in startups financial responsibilities take priority over CSR initiatives, companies B and D emphasized the characteristics of startups more.

« [...] we are also not yet at a point where we could for example make donations to charities because we are still mostly operating on our investors' money and that's not the reason for which we have received the investments. » (3) (Case B)

« I think there is an expectation for employees that the company will do something [related to CSR], but the question is who in the company and especially at a startup is actually responsible. I mean certainly if there is a structure in place, I think founders would support it, but without clear ownership it falls away then. » (5) (Case D)

In addition to these differences, there were also similarities among the case companies, for instance, when it comes to the importance of the regulative environment in startups' CSR engagement decisions. Furthermore, all the interviewees mentioned the importance of the values of the founders. The motivations as well as the challenges mentioned by the companies are summarized in Table 6.

Table 6 Cross-company motivations

Motivator / Challenge	Company A	Company B	Company C	Company D
Previous CSR experience of the founders	-	-	-	-
Interest towards CSR / sustainability	X	X	X	X
Demands from stakeholders	X	X	X	X
Proactively responding to	-	-	X	X

stakeholders' needs				
Financial benefits	X	X	-	-
Values of the founders	X	X	X	X
Regulative environment	X	X	X	X
Normative environment	X	-	X	-
Cognitive environment	X	X	-	-
Characteristics of the industry	X	X	X	X
Characteristics of startups	-	X	-	X

This table reports the similarities and the differences of the case companies CSR engagement motivations.

The columns represent the case companies, and the rows describe potential motivations or causes behind the companies' CSR engagement. When the cause or motivation was present in the case company, an X is marked on the table. When the cause or motivation was not discovered in the company – is marked on the table.

6 Discussion

This chapter focuses on the most important findings of the thesis. The aim of the chapter is to relate the findings of the thesis to the theoretical framework presented in Chapter 3. According to the objectives of the thesis, the discussion in this chapter is based on exploring the motivations of startups' CSR engagement and the comparison between the target countries Finland and Germany.

6.1 Stakeholders as motivators

Even though startups typically do not have as many stakeholders as bigger, more established companies, according to previous literature stakeholders should not be overlooked by startups (Retolaza et al., 2009, p. 329; Voinea et al., 2019, p. 3). Although none of the startups interviewed had conducted a stakeholder analysis, they all recognized the impact that stakeholders can have on their companies' activities including CSR engagement.

The case companies have all experienced pressures to engage in CSR coming from different stakeholder groups such as employees, customers, or investors. All the case companies have also taken measures to answer at least some of these pressures. As mentioned earlier in the theory section, Voinea et al. (2019, p. 3) argue that startups have generally stronger connections to their stakeholders compared to larger companies. This was evident in the case companies especially in the relationship that the companies had with their employees. All startups emphasized the importance of supporting the employees and fulfilling the expectations of this stakeholder group to enhance their job satisfaction. Also, the other stakeholders mentioned by the startups are being prioritized due to their closeness to the company, further providing evidence of the strong ties between startups and their stakeholders. Due to the strong connections that startups share with those who are close to them, the case companies confirmed the role of stakeholders as a motivator for startups CSR engagement.

Previous research has found that startups are more likely to interact with external stakeholders regarding the CSR engagement of the startup which, in turn, could help reduce their liability of newness (Baumann-Pauly et al., 2013, p. 700; Kim, 2020, p. 63). The findings of this thesis show that the case companies' efforts to communicate their CSR engagement with external stakeholders or seek help when designing CSR activities have been minimal. Only one of the cases has communicated externally their CSR activities and that happened for the first time only recently. Due to their limited communication efforts, the case companies have not noticed CSR engagement having positive implications to the company's liability of newness by increasing legitimacy in the eyes of the stakeholders. Therefore, based on the findings of this thesis, CSR engagement is not necessarily connected to increased external stakeholder communication or consequently improved relationships.

As was mentioned in Chapter 5.5. the case companies exhibited different levels of proactiveness when it comes to the stakeholder relationships. The German companies C and D had measures in place to proactively uncover the needs and expectations of some of their stakeholders. Both companies regularly had open conversations with their employees. In those talks they found that their employees want to achieve a feeling of doing something for the common good. Based on this desire of their employees, the companies came up with activities through which their employees could contribute to society or the greater good also in the name of the companies. Companies A and B, in turn, have relied on their stakeholders to bring forward what they would want the company to do regarding CSR. Therefore, the German companies seem to have a more proactive approach to fulfilling their internal stakeholders needs.

The reasons behind this difference in the proactiveness of the CSR actions between the Finnish and the German companies could stem from a number of reasons. According to Chang (2015, p. 465), green organizational culture boosts proactive CSR practices. Moreover, millennials expectations towards companies' CSR actions are higher than those of older generations (Goedeke & Fogliasso, 2020, p. 172). The founders and the employees of companies C and D are on average younger than those of companies A and B,

indicating that companies C and D are also facing higher internal pressures to engage in CSR than companies A and B. In terms of external stakeholders, all case companies rely on the stakeholders to bring forwards issues that they would like the company to address. As the differences in the proactiveness of CSR activities are only visible with internal stakeholders, it can be deduced that the country of origin does not play a major role in how the startups consider the expectations of their stakeholders.

6.2 Social capital as a motivator

Based on theory, social capital theory would be suitable especially for explaining small companies including startups' motivations to engage in CSR (Perrini, 2006, p. 311; Sen & Cowley, 2013, p. 423). The interviewees of all four case companies confirmed that sustainability and responsibility towards others are a part of their own personal values. Even though there are hardly any legal obligations that would obligate startups to engage in CSR, all case companies had actions that go above and beyond following the laws. Furthermore, all the interviewees recognize that startups' actions including CSR engagement tend to rely heavily on what the founders see as important. Therefore, the findings of this thesis provide further evidence that values can positively correlate with CSR engagement especially in small companies like startups (Xu & Ma, 2022, p. 503). As the findings are similar in all four case companies, social capital can be a motivator to engage in CSR for both Finnish and German startups.

Another way in which theory suggests that social capital could influence startups' CSR behavior is through the startups' deeper embeddedness into local communities (Perrini, 2006, p. 309; Voinea et al., 2019, p. 3). Despite the potential increase in trust, legitimacy and reputation, the case companies examined for this thesis had only limited CSR activities that were aimed at benefiting entities that are not a part of the companies' stakeholder maps. Only Company A had made donations to charities that did not have an alternative motive behind the action. Despite this action being motivated by the desire to help people that are not connected to the company, the recipient of the donations were more big charity organizations rather than the local communities. Hence, the

findings of this thesis show no indication that the deeper connections to the local community were the motivator behind these CSR actions.

In addition to Company A, companies C and D have also made donations to charities. Company C has made donations to help their employees make a bigger impact by doubling the employees' donations and Company D donated to charity the proceeding of events aimed at increasing employee satisfaction. As the charity donations of companies C and D had direct implications to the stakeholders of the companies by increasing the job satisfaction of the employees, the deeper connections to the local communities did not act as a motivator for their CSR engagement. Therefore, based on the findings of this thesis the startups' connections to local communities are not drivers of startups' CSR engagement.

According to theory companies that are conducting CSR activities that benefit their local communities could benefit from the CSR activities through positive word-of-mouth (Spence & Schmidpeter, 2003, p. 105). Company A mentioned that they understand that CSR activities can cause benefits for companies through word-of-mouth, but they are unaware of whether it has actually benefitted them. However, since none of the companies had taken any significant CSR actions to benefit their local communities it is also unlikely that their CSR actions would have been motivated by the reciprocal nature of social capital.

Although the social capital theory did not explain the case companies' CSR engagement as widely as it could have based on theory, the findings provided strong indications that the values of the founders are one of the strongest motivators for CSR engagement of startups regardless of the country of origin. Therefore, this thesis confirms the validity of the social capital theory when examining the CSR behavior of startups. However, as parts of the theory were not relevant for the analyzed case companies, the thesis also provides evidence that multiple theories are needed to get a comprehensive understanding of the phenomenon.

6.3 Country specific motivators

One of the main purposes of the study was to analyze what kind of an impact the country of origin has on a startups' CSR engagement. Country specific characteristics were evaluated based on institutional theory. This chapter compares the findings of the thesis to the theoretical framework. Even though Finland and Germany are both European countries with similar regulative environment and cultures some differences between the countries were found.

As was assumed in chapters 2.3.1 and 2.3.2 the regulative environment of Finland and Germany did not create any differences in the startups' CSR engagement motivations. Finland and Germany both being a part of the European Union the legislation is mostly similar. Even though it would be technically possible for countries within the EU to create their own CSR laws neither of the analyzed countries had done so. Therefore, even though all case companies emphasized the importance of following the laws and regulations of the areas in which they operate, none of the companies had the need to increase their CSR engagement due to the regulative environment. Since all of the companies find it crucial to comply with the necessary regulations, differences would have been found between the countries if the legislation had differed more. Although changes to CSR legislation are being discussed both on country levels as well as in the European Union, these new laws are binding only to bigger corporations (European Commission, n.d.-a; Piirto, 2022). Thus, as was to be expected the regulative environment can be a strong motivator for startups' CSR engagement if the legislation so demands but for the case companies of this thesis the motivation was equal.

Based on the evaluation of the operative environments, German companies were assumed to face more normative pressures to engage in CSR than the Finnish companies due non-binding agreements present in the country such as the Action Plan. Despite both countries having agreed to follow the SDGs set by the UN, none of the companies mentioned considering these goals in their CSR decision-making. In addition to the SDGs, the Action Plan puts further normative pressure on the German startups to increase their

CSR activity. The German companies interviewed also did not mention the Action Plan as a motivator for their CSR activities.

Even though these normative pressures did not have an impact on the CSR motivation, companies that are operating in the same field or otherwise close to the case companies motivated two of the case companies to engage in CSR. This, according to Husted (2016) is another form of normative pressure. Company A stated that they had taken inspiration for their CSR activities from their competitors while Company C had decided to join many other German companies and commit to the 1% pledge. Since company A is a Finnish company and company C is a German one, the country of origin has not played a role in the actions taken based on the normative pressures other than in the type of activity. However, a common denominator between companies A and C is that they are older than companies B and D. Although all the companies interviewed still prioritized financial responsibility over social or environmental ones, the older companies have already become profitable while the younger case companies are still in the scaling phase where profitability has not yet been reached. This would indicate that the startup's age and the profitability rather than the country of origin are clearer indications of whether the normative environment impacts the startup's CSR engagement.

Based on the evaluation of the countries' operational environments, Finnish startups were expected to receive more pressure from the cognitive environment than German startups. This is because in Finland people are generally a little more educated than in Germany, and the Finnish culture has characteristics that are positively correlated with CSR engagement. The findings of this thesis indicate that the cognitive environment of the Finnish startups might have influenced their CSR engagement decisions. The founders of all four case companies have a higher education degree and therefore, the level of education did not make a difference between the companies. The characteristics of the cultures showed slight indications in the Finnish companies CSR decisions. Company A showed signs of altruistic charitable motivations in their CSR decisions. This has been proven to be characteristic for cultures like the Finnish culture (Nelson et al., 2006). Furthermore, without being asked, the founder of Company B reflected on the impact of

equality on the decisions of the company. As equality is highly valued in cultures such as Finland, indicating that the cognitive environment has an impact on the CSR engagement of company B. Even though the findings of the thesis show some indications of the influence of the cognitive environment, more research would need to be conducted to better understand the impact of the cognitive environment on the CSR engagement of startups.

Despite the aforementioned differences in the motivations of the startups of Finland and Germany, the country of the origin did not make a big impact on the startups' CSR engagement. The countries of analysis are part of the EU which is why their legislation is harmonized (European Commission, n.d.-b). Being a part of the EU has also created the normative environments to follow the same general guidelines such as committing to achieve the SDGs (United Nations Global Compact, n.d.). The countries in question are also relatively similar culturally when analyzed through Hofstede's cultural dimensions (Hofstede's Insights, n.d.). These factors decrease the impact of the country of origin with these two target countries.

6.4 Other motivators and challenges

Based on theory it was assumed that financial benefits would be a significant motivator for startups to engage in CSR regardless of the country of origin. In fact, the results show that all four startups tend to prioritize financial responsibilities over social and environmental responsibilities. This shows the importance of seeking financial stability for startups which could, in turn, increase the likelihood of financial benefits acting as a motivator for CSR. However, when asked about the potential financial benefits that the startups have gained through CSR engagement, only one company, Company A, recognized that CSR actions have or could increase their competitive advantage. In addition, one of the investors of company B required the CSR reporting from the company. Thus, the CSR actions of Company B have also led to a financial benefit for the company in the form of an investment. Even though the Finnish companies had gained financial benefits while the German ones had not, there are no indications from previous research that Finnish companies would be more likely to gain financial benefits when compared with

German ones. Therefore, further research would be needed to determine if this finding of the thesis holds true in a larger perspective.

Whereas the Finnish companies saw the financial benefits of CSR, the German companies were more aware of the implications CSR has on employee satisfaction. As was mentioned earlier in chapter 6.1, the German companies are younger than the Finnish ones in terms of ages of the employees. Millennials are known to have higher expectations when it comes to the sustainability actions of companies (Goedeke & Fogliasso, 2020). Answering the expectations of the younger generations is especially important because when millennials' job satisfaction decreases, increases their turnover intentions more radically than, for instance, Boomers' (Lu & Gursoy, 2016, p. 227). Therefore, it can be deduced that the German case startups have higher motivation to care for the employees' job satisfaction than the Finnish case companies with older employees. Furthermore, even though the German companies did not directly mention the financial benefits gained through CSR, the employees' job satisfaction in both German companies has increased leading to lower costs in unnecessary recruiting and training expenditures (Terera & Ngirande, 2014). Therefore, the German startups have also gained financial benefits through their CSR engagement, but the benefits have been indirect. Despite gaining these financial benefits, they were not the motivator for their CSR actions but rather a welcomed positive side effect of their CSR actions.

A challenge that came up in the interviews with the representatives of both countries was the characteristics of the industry. As the companies operate in the IT industry where the companies typically reduce paper consumption and they do not rely on manufacturing products, the impact on the environment is smaller than in some other companies. The interviewees mentioned that engaging in CSR is less important for them than it would be, for instance, for a manufacturing company. The characteristics of the industry have therefore acted as a hindrance to the startups' CSR engagement regardless of the country of origin.

Another demotivating factor that became evident in the interviews with the startups was the characteristics of startups. Especially companies B and D. Company B mentioned

that since they are not profitable yet and are mostly operating on the investors' money, it would be wrong to use the money for something other than making sure that the company survives. Company D, on the other hand, had faced the problem of allocating the topic to a team or an employee, since there is no separate department that would be in charge of the CSR topics. Therefore, the topic has often been deprioritized over the actual jobs of the employees. The characteristics of startups were not as present in companies A and C. Companies B and D are still in the scaling phase of the organizational cycle, but companies A and C have already reached the growth phase. Companies A and C have also been able to become profitable whereas companies B and D are not there yet. Thus, the stage of the organizational life cycle rather than the country of origin seems to be a better indicator of whether the characteristics of startups have a deprioritizing impact on CSR engagement.

6.5 Revised framework

When the findings of the thesis are compared to the initial framework presented in Chapter 3, some modifications need to be made. Unlike what was initially presumed, instead of the social networks of the founders, the values proved to be a more crucial part of the social capital theory regarding startups' CSR engagement. The values of the founders were however, mentioned in the theoretical background section of the thesis as Xu and Ma (2022) have found positive correlation between the values of the founders and CSR engagement.

Another aspect of the framework that needed to be modified due to the findings of the thesis was the assumption that financial benefits would be a significant motivator for the startups of both countries. The findings of this thesis showed that only the Finnish case startups were motivated to engage in CSR because of potential financial benefits. All the case startups prioritized financial responsibilities over other responsibilities as has been proven by previous research (Jawahar & Mclaughlin, 2001). Despite prioritizing of financial initiatives only the Finnish case companies recognized the role of CSR engagement in gaining financial benefits. Instead of focusing on gaining the potential financial benefits gained through CSR, the German companies were motivated by improving

job satisfaction of the employees. This finding is also in accordance with previous research (Barakat et al., 2016; Lee & Chen, 2018). Therefore, other benefits were also added to the dimension of financial benefits in the framework.

In addition to the characteristics of startups, the influence of the industry in CSR decision-making became evident in the findings of the thesis. The influence of the characteristics of industries was attempted to be minimized between case companies by choosing the companies from the same industry. Despite the case companies being from the same industry, the characteristics of the industry had acted as a hindrance for the companies' CSR engagement as the industry is generally viewed as not so harmful as others. The industry had, therefore, played a role in the startups' CSR engagement. Hence, a new dimension was added to the framework.

Even though the findings confirm the relevance of the normative environment in startups' CSR engagement, the impacts of the normative environment did not vary according to the country of origin but the stage of the organizational life cycle of the startup. This finding increases the influence of the characteristics of startups. Also, a connection between the normative environment and the characteristics of startups is drawn. Another dimension of the institutional environment that needed to be modified was cognitive pressures. As German companies did not show any signs of the cognitive environment impacting their CSR decision-making, the dimension was deleted from the German side. This was also suspected to not play a vital role based on theory (Esteban et al., 2017; Hofstede's Insights, n.d.)

Despite the previously mentioned modifications there were also aspects of the framework that remained unchanged. As was hypothesized in the framework the regulative environment of countries is a significant motivator for startups. This further confirms the findings of Gao-Zeller et al. (2019) and Ng et al. (2022) who have studied the importance of the regulative environment. Moreover, the influence of the stakeholders on startups' CSR decision-making is confirmed as Voinea et al. (2019) predicted in their research. The revised framework is presented in Figure 6.

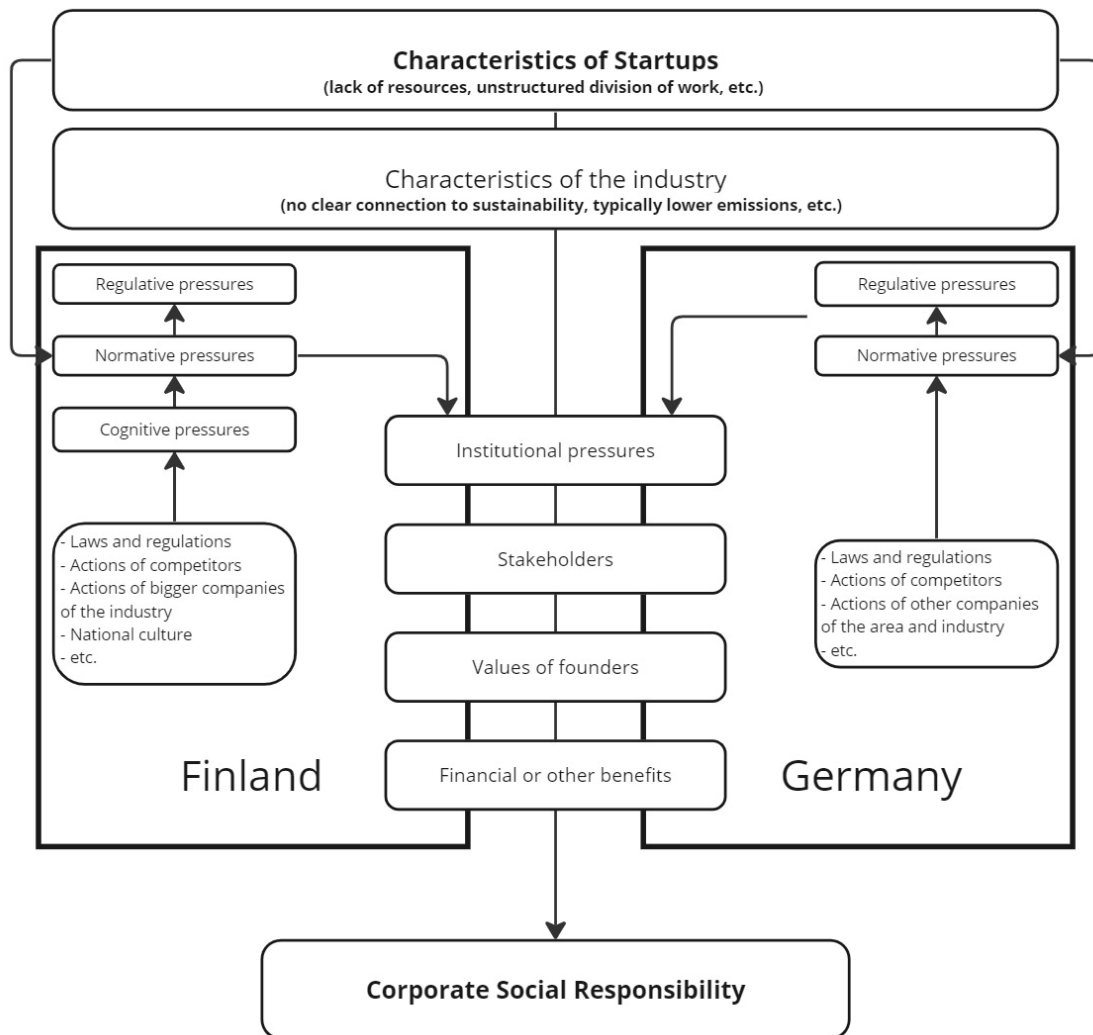


Figure 6 Startups' CSR engagement motivations

7 Conclusions

The aim of this thesis was to increase the understanding of the motivating factors of startups' CSR engagement and to examine whether the country of origin has an impact on these motivations. After analyzing the theory, a framework was built which was then adapted based on the findings of the empirical part of the thesis. The thesis, therefore, connects the existing literature of CSR to startups in international contexts to fill the research gap that was presented in chapter 1.1. By filling the research gap this thesis provides several contributions to existing scientific research as well practical, managerial implications. The contributions to research are discussed in this chapter and chapter 7.1 focuses on the managerial implications. Later, the limitations of the study are addressed, and future research ideas suggested.

First, the thesis confirms the need for multiple theories when examining the CSR engagement of startups. Due to the characteristics of startups, one theory is not able to cover the ranging issues that have an impact on startups' CSR engagement. In addition to the traditional stakeholder theory, also social capital theory and institutional theory explain some of the startups CSR motivations. By proving the validity of these theories, the thesis confirms the findings of many scholars including Voinea et al. (2019), Retolaza et al. (2009), Perrini (2006), Sen and Cowley (2013) and Husted et al. (2016). Besides the theories, another source of CSR motivation can come from the benefits gained such as financial benefits or increased employee satisfaction. Thus, the findings of Ali et al. (2020) Saeidi et al. (2015) and Bocken (2015) are confirmed.

Second, contrary to some previous literature, the thesis confirms that stakeholders are a crucial part of startups' decision making. Startups tend to have closer ties to their stakeholders as the number of stakeholders is usually lower than in bigger companies (Voinea et al., 2019). Therefore, they are even more crucial to startups (Baumann-Pauly et al., 2013). The case companies all recognized that especially internal stakeholders such as employees are a significant source of CSR engagement motivation. As some of the previous literature has questioned the stakeholders' relevance for startups (Dmytriyev et al.,

2021, p. 1444; Retolaza et al., 2009, p. 327), this thesis delivers further evidence to the opposite perspective.

Third, the thesis increases the understanding of the influence of the country-specific factors especially in the context of startups' CSR engagement. In this thesis the motivations of the Finnish startups differed only a little from the motivations of the German countries. However, based on the findings the cognitive environment in Finland seemed to be more favorable towards CSR engagement compared to the German one. This is in line with the findings of previous research regarding the connection between national cultures and CSR (Esteban et al., 2017; Nelson et al., 2006; Ringov & Zollo, 2007). Therefore, the thesis provides evidence that the motivations of CSR engagement can vary between countries.

Fourth, the thesis increases the understanding of factors that might be hindering startups' CSR engagement. The characteristics of startups and the characteristics of the industry were the biggest potential limiting factors. The case companies were purposefully chosen from the same industry to limit the impact of the industry-specific factors. Despite this attempt, the findings make it clear that operating in the IT/software industry with products and services that are not directly aligned with environmental or social causes make startups less likely to engage in CSR. Furthermore, the findings of this thesis suggest that the characteristics of startups play a bigger role in CSR decision-making than, for example, the country specific pressures such as the normative environment. There are some previous indications that the characteristics of startups have an impact on their CSR engagement (Voinea et al., 2019). Consequently, this thesis further proves the previous findings.

In summary, there is no one right answer to what motivates startups to engage in CSR. The motivations come from various sources including pressures coming from stakeholders, such as the employees, customers or investors, pressures coming from the operational environment, the values of the founders or the desire to gain some of the benefits associated with CSR. These motivations can be enhanced or decreased by the characteristics of startups or by the characteristics of the industry. Despite the case countries being relatively similar, the thesis finds indications that also the country-specific

characteristics can influence the startup's CSR decision-making. For instance, the national culture of Finland could increase the CSR motivation of the Finnish startups. Thus, depending on the country, the companies can find different motivators from the operational environment.

7.1 Managerial implications

As startups' CSR engagement is an understudied field in the academic world, there is also a lot that the managers of startups could still learn about CSR. There are four main managerial implications that can be drawn from the findings of this thesis. They are closely related to the theoretical contributions of the thesis.

The first conclusion discussed in the previous chapter confirms that startups have multiple sources for their CSR engagement motivations. A managerial implication of this finding is that it increases the understanding of startups of the various pressures that they are facing which will help managers navigate them and answer the pressures relevant to them. Furthermore, none of the case companies tracked what kind of impacts their CSR engagement had on their companies. By understanding the different expectations and pressures that push them towards CSR could help managers analyze whether the CSR engagement has some positive implications for the companies.

Secondly, the thesis confirmed the importance of stakeholders for startups. A managerial implication of this finding is that startups should pay attention to their stakeholders regardless of the number of crucial stakeholders. This could be done by conducting a stakeholder analysis which none of the case companies had done.

The third finding increases the understanding of the impacts of the country of origin. The thesis also provides evidence that the motivations of CSR engagement can vary between countries. This finding can be especially useful for managers of startups that are international or aim to internationalize, as the pressures to engage in CSR may differ between the target countries and the country of origin.

Lastly, the thesis unveiled some hindrances to startups' CSR engagement. Understanding the potential hindrances of startups CSR engagement not only benefits the academics who aim to continue researching the topic, but also the managers of startups who wish to increase the CSR engagement of their company. By understanding the obstacles, the managers can more easily avoid them.

7.2 Limitations

As is the case with every scientific study, this thesis also has limitations. The methodological limitations were discussed in chapter 4.5. In addition to the methodological limitations, further limitations exist in this thesis. Although the findings of the thesis seem believable, additional research is required to validate them. For this thesis only four companies were chosen to represent the countries of examination, which is not a representative sample of the population. This decreases the overall generalizability of the results.

Furthermore, due to the examination of country-specific characteristics, the findings are applicable as such only to the target countries. Despite being able to replicate most of the findings in another company, the findings are based on a small number of companies from one industry. Therefore, the applicability of the findings to other companies or other industries within the target countries is disputable.

Another limitation is related to the qualities of qualitative research. When conducting research through interviews there is always the concern for objectivity which comes from the interviewer's potential influence on the answers of the interviewee. The interviewees could also give the interviewer answers that they see as socially desirable. These limitations were attempted to be minimized by formulating open questions that are as objective as possible and by completely anonymizing the data. However, the potential limitations should still be taken into consideration when interpreting the findings.

Finally, another trait of qualitative research is that different research methods and designs could lead to different outcomes. The complexity of the topic and the limited control over the variables that affect the data make it difficult to fully understand the causal inferences is left up to researcher's interpretation. Therefore, there is not only the

possibility for subjectivity in the interpretations but also the possibility for human error. Hence, the findings of the thesis should be interpreted with this in mind. This limitation was attempted to be minimized by transparently discussing the limitations as well as detailed documentation of the methodological steps.

7.3 Suggestions for future research

Due to the limitation of generalizability of the findings an obvious suggestion for future research could be to validate the findings of the study. To provide further evidence for the findings of the thesis the results would need to be replicated more within IT startups from Finland and Germany. Therefore, a potential topic for future research could be to study startups' motivations for CSR engagement quantitatively.

As became evident from this thesis the phase of the organizational lifecycle had either a decreasing or an increasing impact on the startups' CSR engagement. As the data collected for this study represents only the situation in the startups during the time of the interview, the thesis cannot predict how the motivations would change according to the stage of the organizational lifecycle. Hence, a second recommendation for future research would be to conduct a longitudinal study that collects data from startups at multiple times. An international aspect could be added by comparing data collected from startups from two or more countries.

One of the aims of this thesis was to gain an understanding of how the operational environment of the startups influences their CSR motivations. Even though the thesis shows some indications of the operational environment's impact, the topic could be researched even further. The target countries of this thesis were both European countries with relatively similar cultures. Future research could focus on exploring the topic by focusing on countries where the differences are more pronounced. The countries could for instance be from two different continents.

As was mentioned already in the introduction chapters, most of the existing research focuses on examining CSR from the perspective of larger companies. Due to the differing characteristics of SMEs and startups more research that connects CSR and these smaller

companies is needed in general. Therefore, potential future research could focus on, for instance, the types of CSR actions small companies engage in. Another potential topic could be to explore whether startups stand to gain the same benefits from CSR engagement as larger companies, since most of the research exploring these benefits has also been conducted from the perspective of larger companies. Thus, there are many potential topics for future research by connecting CSR and startups.

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Appendices

Appendix 1. Interview questions

General questions

1. What is your highest level of education? (cognitive environment)
2. How old are you?
3. What is your nationality? (cultural environment)

Topic questions: CSR and stakeholder theory and social capital

4. How would you personally define Corporate Social Responsibility (CSR)?
5. Can you describe your previous experience with CSR before starting this company?
6. How important is CSR/sustainability to you personally?
7. How is CSR understood in your company?
8. Does your company have a CSR strategy? If so, what is it like?
9. What type of CSR actions is your company taking? Can you give examples?
10. Why is your company engaging in CSR activities?
11. Has your company conducted a stakeholder analysis?
12. Who are your most influential stakeholders?
13. How does your company determine its priorities?
14. Does your company have a method in place to identify needs and expectations of stakeholders?
15. How are the expectations of your stakeholders taken into consideration in your decision-making regarding CSR activities? Can you give me some examples?
16. Has your company communicated your CSR actions internally or externally?

Topic questions: CSR and operational environment

17. What measures does your company have in place to monitor and stay up-to-date with laws and regulations in the countries where it operates?

18. Can you describe a time when your company had to adapt its (CSR) actions due to changes in laws or regulations?
19. What kind of benchmarking methods do you use to evaluate your competitors?
20. Are you aware of any CSR actions that your competitors have taken? How have they impacted your company's actions?
21. Can you share any examples of how the company's culture or values have influenced your CSR initiatives or decisions?
22. How is engaging in CSR generally perceived in Finland/Germany?
23. How is responsibility towards others viewed in the Finnish/German culture?
24. Have the cultural rules of Finland/Germany had an impact on the CSR decisions?
25. How does the company balance its social and environmental responsibility with its financial goals, and what role do values and beliefs play in this balancing act?
26. Can you describe a time when your company faced external pressure to engage in CSR behavior? How did you respond?

Topic questions: CSR and Benefits

27. Does your company have a budget for CSR? If so, how was the budget decided?
28. How are the impacts of CSR actions measured, monitored, and evaluated?
29. What kind of an impact have your CSR actions had on your customer satisfaction, reputation, and competitive advantage?
30. How have you communicated your CSR actions to your investors?
31. What other benefits have you gained through CSR engagement?