



Institutional Strategy and Corporate Social Responsibility of the New Entrant in the Grocery Retail Market: Case Lidl Finland

Marketing

Master's thesis

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2011

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Objective of the Study

Corporate social responsibility (CSR) has become an increasingly important consideration for modern businesses. There is a research gap relating to the concept and role of CSR in the new market entry. This study sets out to explore the institutional approach and CSR strategy of a multinational corporation (MNC) in the context of new market entrance. The case organization examined in the study is Lidl Finland, which is a subsidiary of German-based multinational grocery retailer Lidl. The purpose of the study is to examine how the change of firm's CSR strategy takes place upon market entry and how it is affected by institutional pressures.

Methodology

The theoretical basis of this study relies on key literature from three subject areas: internalization theory, CSR, and institutional theory and strategies. Through qualitative single case study the causal factors underlying the process of change are identified and examined in the provided theoretical setting. A longitudinal process data, collected from media archives and interviews, is exploited in order to build an explanation and rationale for the changed CSR strategy of Lidl Finland. The idea is that longitudinal examination of organizational events and incidents provides a transparent description of the transition of the organization over time.

Findings and Conclusions

The initial institutional approach of Lidl Finland could be described as defiant and the company was perceived as an irresponsible actor. This could mainly be contributed to the existence of strict business concept, lacking operational resources, liabilities of foreignness and cultural differences. The turn of 2005 can be dated as the starting point for the organizational change. Afterwards CSR gradually gained more prominent role in the business operations. Even though the mounting stakeholder pressure was the initial factor driving the organizational change, there were several other complexities that also affected the change of CSR strategy. These complexities included changes in the business strategy, different phases of the entry process, increased attention for CSR amongst stakeholders, alterations in the operating concept, and attainment of social capital. The role of CSR is an important consideration for a new market entrant, because responsible corporate behavior is directly linked with the attainment of organizational legitimacy. Finally, this study contributes in the form of descriptive propositions, which highlight the role of CSR considerations in the context of new market entry.

Key Words

grocery retail market, new market entry, corporate social responsibility (CSR), CSR strategy, multinational corporation (MNC), strategy change, institutional pressure

Uuden Toimijan Institutionaalinen Strategia ja Yhteiskuntavastuu Päivittäistavaramarkkinoilla: Case Lidl Suomi Ky

Tutkimuksen tavoitteet

Yrityksen yhteiskuntavastuu on noussut tärkeäksi näkökohdaksi nykypäivän kaupallisille organisaatioille. Kirjallisuudessa on tutkimusaukko koskien yhteiskuntavastuun roolia yrityksessä uusille markkinoille tulossa. Tämän tutkimuksen aikomus on selvittää monikansallisen yhtiön institutionaalista lähestymistapaa ja yhteiskuntavastuu-strategiaa markkinoille tulon yhteydessä. Tutkimuksen case-yritys on Lidl Suomi Ky, joka on saksalaisen monikansallisen päivittäistavara-kauppayhtiö Lidl:n tytäryritys. Tutkimuksen tavoitteena on selvittää miten yrityksen yhteiskuntavastuu-strategian muutos tapahtuu markkinoille tulon yhteydessä ja miten muutosprosessiin vaikuttavat yrityksen kohtaamat institutionaaliset paineet.

Tutkimusmenetelmä

Tutkimuksen teoriapohja nojautuu kolmen eri alueen avainkirjallisuuteen: kansainvälistymisen teoria, yhteiskuntavastuu ja institutionaalinen teoria ja strategia. Kvalitatiivisen tapaustutkimuksen kautta yrityksen yhteiskuntavastuu-strategian muutosta tutkitaan teoreettisen kirjallisuuden valossa. Uutismedioiden arkistosta ja haastatteluista kerättyä pitkittäisdataa tutkimalla kehitetään perusteellinen case-narratiivi, joka paljastaa syy-yhteydet Lidl Suomi Ky:n muuttuneen yhteiskuntavastuu-strategian taustalla. Tutkimusmenetelmän ideana on se, että organisaatioon eri ajankohtina liittyvien eri tapahtumien ja sattumusten tutkiminen pitkittäisdatan avulla tarjoaa läpinäkyvän kuvauksen ajan mittaan tapahtuneesta organisaatiomuutoksesta.

Tutkimuksen tulokset ja johtopäätökset

Lidl Suomi Ky:n alustava institutionaalinen lähestymistapa oli uhmakas ja se koettiin vastuuttomaksi toimijaksi. Syy johtui lähinnä tiukasta liiketoimintakonseptista, vajaista toimintaresurseista, epätietoisuus paikallisista toimintatavoista ja kulttuurieroista. Ensimmäiset merkit yrityksen institutionaalisen lähestymistavan muutoksesta voidaan ajoittaa vuoden 2005 vaihteeseen, minkä jälkeen yhteiskuntavastuu-ajattelu yrityksen toiminnassa alkoi vähitellen korostua. Sidosryhmien puolelta kantautuva lisääntyvä paine vastuullisempaan toimintaan oli keskeinen tekijä, joka ”pakotti” Lidl:n muuttamaan toimintatapojaan. Tämän lisäksi vastuullisemman yritystoiminnan syntymiseen vaikuttivat mm. muutokset yrityksen liiketoimintastrategiassa, markkinoille tulo-prosessin eri vaiheet, yhteiskuntavastuu-ajattelun lisääntyminen toimintaympäristössä, muutokset yrityksen toimintakonseptissa ja sosiaalisen pääoman kasvu. Yhteiskuntavastuu on keskeinen näkökohta uudelle toimijalle, koska vastuullinen käytös linkittyy suoraan legitimitettiin saavuttamiseen. Tämä tutkimus päättyy esittämään toimintasuosituksia, jotka kuvaavat yhteiskuntavastuun roolia markkinoille tulossa.

Avainsanat: päivittäistavaramarkkina, markkinoille tulo, yrityksen yhteiskuntavastuu, yhteiskuntavastuu-strategia, monikansallinen yhtiö, strategiamuutos, institutionaalinen paine

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1 INTRODUCTION

1.1 Background of the study

Corporations increasingly operate across the national borders. This has been enabled by the universal trend to soften or altogether abolish the borders that stand in the way of international trade. Expansion only seems logical: Firms seek least cost location to operate, and at the same time pursue growth through benefits achieved by extending their operational boundaries (e.g. Buckley 1988; Buckley & Casson 2009). Despite the fact that national borders have faded away, country-specific institutional environments continue to have their own cultural norms and standards for responsible action, which result in differences between the markets (Meyer 2004). Prevailing institutional practices and different cultures in new market areas cause pressure for multinational corporations to adjust their strategies accordingly.

Standards of operation and practices vary between markets. What is appropriate home may be disapproved, not to mention illegal, in the new host environment. Therefore, when entering new markets and operational environments, there arises a need to revise working practices and incorporate policies that prevail in the institutional environment (Meyer & Rowan 1977). Insufficient information and lacking know-how towards local operation standards can lead organizations to behave in a manner that awakens distrust in the local community. Obviously, doing things differently doesn't necessarily mean that the organization is irresponsible. However, corporate reputation is directly linked to the perception of social responsibility (Fombrun & Shanley 1990). Sometimes it is hard to know what to think about multinational corporations (MNCs): On one hand, they bring jobs to local community and increase competition, which can generally be considered as good things. On the other hand, publicized reports of personnel misuse and uncertainty relating to origin of products raise questions and suspicion in people's mind.

Institutional stakeholders, such as government agencies, city councils, and consumers, expect organizations to follow regulations and established principles of behavior (Freeman 1984). Local

practices, prevailing regulations and cultural norms take the form of institutional pressure, which ultimately result in shaping the functions of the foreign organization (DiMaggio & Powell 1983). Moreover, companies are expected to carry their share of responsibility of the well-being of the society. The concept of corporate social responsibility (CSR) is considered all the more important in today's business world (Smith 2003; McWilliams et al. 2006). As a result, managers face increasing pressure from multiple stakeholders to behave in a responsible manner, and to allocate more resources to CSR initiatives (McWilliams & Siegel 2001; Garriga & Melé 2004). It seems that in order for a firm to be able to exploit benefits from its international operations, it needs be ready to change its policies according to the perception of "what is right" in the local institutional environment.

The literature indicates that corporate social responsibility has become an important, even necessary, consideration for modern businesses (e.g. Smith 2003; Meyer 2004). However, even though responsible action is necessary for legitimacy, the various benefits resulting from responsible behavior suggest that attending stakeholder needs with CSR initiatives should be treated as a strategic opportunity rather than just an obligatory cost (Suchman 1995; Jones 1995; Husted & Allen 2006). Environmental protection and ethical labor practices are two extensively publicized dimensions of social responsibility. For example, the image of responsible employer, who takes into account the well-being of its employees, not only results in savings in labor management but also enhances the reputation of the organization (Fombrun & Shanley 1990; Smith 2003; Sen et al. 2006).

How do multinational corporations choose to deal with the institutional demands? In order to achieve legitimacy and good reputation, conformity to these demands is certainly an attractive option (Suchman 1995). In contrast, failing to cooperate with stakeholders and address these issues not only makes it difficult to operate but is a critical consideration for survival of the firm (DiMaggio & Powell 1983). However, total conformity neglects organizational self-interest, which is why firm responses most often entail other dimensions in addition to total conformity (Oliver 1991). There are various institutional strategies that firms can employ in order to reduce the level of conformity while seeking to maintain organizational self-interest (Oliver 1991; Lawrence 1999; Kostova et al. 2009).

Multinational grocery retailer Lidl entered the Finnish market in 2002 by establishing a local subsidiary, Lidl Finland. As a whole, Lidl's entrance was a disruptive event to the retail market, introducing changes into the market structures (Hägman 2002). Until then multinational retailer was totally new phenomenon in the Finnish market. Being a hard discounter, Lidl represented a retail format that was lacking from the Finnish market (Uusitalo & Rökman 2004). As a result of the entry the Finnish stakeholders witnessed Lidl introduce its foreign corporate culture and differing operational practices with little intention to conform to local standards of practice. This case study takes a closer look on the CSR strategy employed by Lidl Finland in the Finnish host environment. Specifically, the interest of this study is to focus to examine the process of change in relation to conduct of CSR of the case company that has been generally witnessed by stakeholders. Thus, the basis for this study is that a change of CSR strategy took place and the actual purpose of this study is to explain how and why the change process occurred. What makes the Lidl Finland case interesting is not only the initially employed approach of unprecedented defiance towards Finnish institutional environment but even more the notable change of strategy towards mutual cooperation in the later years.

1.2 The research objectives and definition of boundaries

This research takes the form of case study, setting out to explore multinational corporation (MNC) in the context of new market entrance. The purpose of this study is to examine the change process of Lidl's CSR strategy in responding to the institutional pressures in the Finnish market. Furthermore, the interest lies in factors and conditions that gave rise to the significant change of stance in the organization's attitudes towards institutional pressures. The level of social responsibility towards institutional environment is examined in the organizational behavior. This responsibility of actions is reflected in various forms of organizational behavior. Amongst others, compliance to regulations, respect to labor policies and corporate communications are areas of interest.

Even though international presence in the Finnish grocery retail market is relatively new phenomenon, it is expected to increase bringing considerable changes into the market (Uusitalo & Rökman 2004). It is likely that new player(s) will enter the market, in form or other, at some

point in the future. In order to facilitate both the cooperation and co-existence in the future, it is in the interests of all stakeholders to get better understanding of this exceptional actor. There is a considerable research gap relating to CSR aspect in new market entry. Even though the generic strategies of market entry have been extensively researched, the CSR element of the entry decision has been largely ignored (Merz et al. 2010). This study aims to address this gap and the presented research questions by examining Lidl's action in the Finnish grocery retail market. As a company, Lidl Finland, together with its alien operational policies and change of strategy, represents an interesting case within this research field.

In the following the main research problem is presented:

How the change of firm's CSR strategy takes place upon market entry and how it is affected by institutional pressures?

Supplementary research problems that assist in responding to the main research problem:

How do institutional pressures affect firms' strategies?

How do MNCs seek to influence and counter the structures that prevail in the local market environment?

How does the relationship between MNC parent organization and its subsidiary affect the CSR-response to institutional pressures?

Although the international aspect is evident for this case, the aim of the thesis is not to focus on the internalization strategy, but instead to concentrate more in evaluating the responsibility of the approach to the institutional demands. It should also be made clear that the structure and effectiveness of the Finnish institutional environment in retail sector is not under exploration here. Neither does this study seek to cover the whole scope of responsibility issues, but instead to focus on social responsibility of MNC in foreign institutional environment.

1.3 The course and processing of the study

This master thesis is conducted in the form of a single case study. Research consists of theoretical literature review and empirical research section. The theoretical context of the thesis is founded on the concepts of corporate social responsibility (CSR), institutional theory, and internationalization of MNCs. The source materials in theory include literature from areas such as international business, ethics and social responsibility, and strategic management. Theory deals primarily with institutional pressures originating from multiple stakeholder interest, and the centrality of CSR and legitimacy attainment in responding to these pressures. Based on the literature review the theoretical framework for the study is presented. As a result, this study contributes to the academic discussion of both CSR and institutional strategy in the context of new market entry of MNC.

The focus in the thesis is in the empirical part, which will take the form of qualitative analysis. Typical for a case study (Eisenhardt 1989), the research data is gathered from multiple sources, namely media archives, interviews, and company fact sheets. Longitudinal data from business titles and interviews provides a timeline from the events of the case organization. Qualitative content analysis, which is suitable method in creating meanings and deep understanding of case constructs, will be used in responding to the research problem (Hsieh & Shannon 2005). Careful content analysis on observed events enables the interpretation of phenomenon and allows the generation of insight relating to theoretical constructs.

The market entrance of Lidl had created a new phenomenon into the Finnish retail market. In order to understand this phenomenon, unique institutional approach of Lidl, this study is aiming to contribute new information to fill that gap. It is expected that the results of this research would bring new insight relating to the actions of foreign multinationals in their strategy selections. Social responsibility of the companies is increasingly important topic in the business arena. This is particularly relevant with MNCs, which often experience crises of legitimacy (Kostova & Zaheer 1999). New learnings relating to this are most welcome. Also, results of the study are expected to shed a light on the challenges that foreign entrants are subjected in the Finnish retail

market. This study will contribute new understanding to the operational strategy alternatives of MNCs when it is responding to institutional challenges.

1.4 Description of the central concepts

MNC and the internalization theory

Multinational corporation (MNC) is a general name for an enterprise, which owns, operates and controls activities in different countries (Buckley & Casson 1991 [1976]). Kostova and Zaheer (1999) state that MNC constitutes an organization that operates in multiple countries through shared policies and strategies. Internalization refers to the practice where enterprises choose to execute transactions within their own organizations (by creating an internal market) rather than relying on an outside market. When this occurs across national borders, international operations and multinationals are born (Buckley & Casson 1991 [1976]).

Institutional theory and isomorphism

A concept, according to which, an organization and its operations are affected by local environment and the pressures arising from it. In the community there prevails a common understanding of how things should be done, what is appropriate behavior, and what is expected from various actors. Thus, organizations deploy new processes and adopt structures based on external definitions on what is right (Meyer & Rowan 1977). The homogenization of organizational structures takes place as a result of conformity to prevailing institutional pressures. This high degree of compatibility and similarity between organizations is known as isomorphism (DiMaggio & Powell 1983).

Instrumental stakeholder theory

In addition to its shareholders, an organization has various other stakeholders (constituents), among others government, suppliers, and employees that play a vital role in the firm's success (Freeman 1984). According to Jones (1995) business organizations are motivated to be honest, trustworthy and ethical with stakeholders, because the benefits of good relations are high and they result in competitive advantage. Thus, the satisfaction of central stakeholder groups is instrumental for the success of the organization (Jones 1995)

Corporate social responsibility (CSR)

Concept acknowledging that businesses should be ran in a responsible way. Organization accepts it has responsibilities towards all identified stakeholder groups, and therefore, is ready to chip in to the well-being of these various constituents. Literature entails various definitions of this concept. This study adopts the following position: by practicing CSR an organization engages in activity that furthers some social good, which is beyond its core interests and what is required by law and regulations (McWilliams et al. 2006).

Organizational legitimacy

In broad sense legitimacy means the acceptance of the organization by its environment (e.g. Meyer & Rowan 1977; Kostova & Zaheer 1999). Suchman (1995) elaborates the concept as the generalized perception that the actions of a specific entity are appropriate within some socially constructed system of norms and values. From the perspective of new MNC subsidiary, legitimacy comprises the perception amongst key stakeholders that the actions of the subsidiary are appropriate according to their standards.

Institutional entrepreneurship

An approach where organization intentionally aims to influence, manipulate or modify institutional structures in its favor. This can include active negotiation, communication and interaction with key institutions, in order to attain leniency and concessions relating to specific institutional practices (Kostova et al. 2008). This suggests that MNCs can take actively role in pursuing to influence and manage emerging institutional pressures, instead of just conforming to those (Phillips & Tracey 2009).

1.5 Structure of the thesis

Following the introduction the next chapter presents theoretical context of the study. Relevant views and theories from the literature are explained, following the presentation of the theoretical framework of the study. Section introduces the multinational context of the firm, takes a close look to CSR within the scope of multinationals, and explains the institutional theory behind

stakeholder demands and strategies to deal with them. The empirical part of the study takes prominence from the chapter 3, which begins with a short presentation of the case company and the Finnish retail market. Chapter continues with the review of research methodology, backed up by argumentation to the employed methods. The validity, reliability and credibility of the results analyzed. The following chapter presents the research results, which are utilized in answering the research problem. Chapter 5 sees the discussion of the study results: findings are reviewed with the previous literature and theoretical propositions are made. The final section concludes the entire study, making recommendations for further research and presenting limitations of the study.

2 THEORETICAL BACKGROUND

The following literature review will present the key theories and previous research studies that are relevant to this research theme. The theoretical context of this thesis lays in the concept of corporate social responsibility and in the institutional theory. The scope of view is multinational as the case organization in question, Lidl Finland, is a MNC subsidiary in the Finnish grocery retail market. Key theories employed by this study can be classified under three main themes: 1) the concept of corporate social responsibility, 2) institutional theory and strategies, and 3) internalization theory and MNC. Even though in the context of this study these themes overlap and are closely linked to each others, for the sake of clarity, they are presented in their own sections. The review starts with the presentation of the internalization concept and MNC, because understanding the basic idea behind internationalization of organizations lay the foundation for this study. After that the concept of CSR is presented and its role and significance is examined with particular focus on the internationalization perspective: How entry to international markets affects the responsibility of the business? After that the construct of institutional environment is reviewed with a special emphasis on considerations that relate to market entry strategy of multinational business: How institutional pressures affect organization and what type of strategies are the available for market entrant? The chapter concludes with the presentation of the theoretical framework, which summarizes the key theories of the study.

2.1 MNC and Internalization theory

Multinational corporation (MNC) is an enterprise, which owns, operates and controls activities in different countries (Buckley & Casson 1991 [1976]: 1). As a result, it has headquarters in one country (home country) and operational subunits in other countries (host countries). MNC is made of a group of geographically dispersed and goal-disparate entities, which together form an inter-organizational network (Ghoshal & Bartlett 1990). In their iconic book on MNCs Buckley & Casson (1991 [1976] fully developed the concept of internalization: Instead of relying to operate on imperfect external markets, enterprises choose to internalize markets, which results in various benefits for the enterprise. This internalization of markets across national boundaries

leads to internationalization and to the birth of MNCs (Buckley & Casson 1991 [1976]: 45). Authors treated MNCs as complex international intelligence systems, which function both to acquire market knowledge for internal refinement but also to further exploit the R&D knowledge developed by the organization (Buckley & Casson 1991 [1976]: 35). This characterization is highly relevant even today (Rugman & Verbeke 2003). As a whole, the benefits and costs of internalizing markets are the governing factors relating to the general growth of MNCs (Buckley & Casson 1991 [1976]: 45).

According to internalization theory firms pursue benefits by exploiting market opportunities and imperfections that arise in the international context (Buckley & Casson 1991 [1976]: 45). Ghoshal (1987) advocated that through international operations organizations primarily pursue three main objectives, which are 1) the maximization of the efficiency of current business activities, 2) business risk management and reduction, and 3) the development of internal learning capabilities. Rational logic suggests that MNCs will internalize operations as long as the expected benefits exceed the estimated costs (Buckley & Casson 2009). The previous literature reveals a number of key considerations that influence the decisions relating to foreign market entry. These considerations include, amongst others, market structure, timing of the entrance, competitive strategy, financial resources, cultural considerations and prevailing institutional environment, expenses relating to location decisions, liability of foreignness, and the opportunity cost of doing business abroad (Buckley & Casson 1998).

Previous literature recognizes four basic models of MNCs: multinational, international, global and transnational, each of which have different resource structures, operational roles, and ways of interpreting knowledge (Bartlett & Ghoshal 2002). Regardless of the model, literature concurs that the management, integration and exchange of resources between the various MNC units forms a critical process for multinationals (Kostova & Roth 2003). Two-way knowledge flows not only between headquarters and subsidiaries but also amongst different subsidiaries are often observed in MNC (Rugman & Verbeke 2003). The subsidiaries of MNCs are supported and managed to various degree by their parent organizations, which results in consistency and legitimacy requirements from the parent organization (Rosenzweig & Singh 1991). This type of relationship management naturally requires solid and active two-way communications.

2.1.1 The challenge of different cultures and practices

It is not unusual that MNCs differ in their operations from local, national organizations, and therefore raise attention amongst the locals. MNCs use diverse practices and operational processes that often differ from the practices that prevail in the local environment (Kostova et al. 2008). Thus, different operation policies alone may lead to insecurity amongst stakeholders and concerns relating to responsibility issues. By nature, due to foreign origin, the subsidiaries of multinationals are subjected to liabilities of foreignness (LOF), which means that due to being alien to local policies MNCs face disadvantage in the competitive arena (Buckley & Casson 1991 [1976]: 27-28; Zaheer 1995). This disadvantage can manifest itself in various ways: foreign organizations may lack, at least to a degree, the knowledge and know-how relating to local culture, politics or economic life.

Obviously, it is in the interests of MNC subsidiaries to try to mitigate LOF effects. The previous literature suggests that subsidiaries should have a compensating advantage, for example, in the form of organizational capability, in order to overcome this disadvantage (Zaheer 1995). Rugman (1996: 25) calls this element as firm-specific advantage, which is the reason for internalization in the first place. Daniel Rottig (2007) highlights the usefulness of corporate social capital in overcoming LOF. There are both external (local stakeholders) and internal (inter-organizational network) social capital, which refers to the creation of valuable organizational resources and capabilities through social relationships (Rottig, 2007).

The “rules of the game” in the host market can differ significantly when compared to the home market (Meyer 2004). Accordingly, the importance of understanding local regulations and business practices relating to local institutional factors should not be underestimated. History shows that MNCs do not invest in all countries, but instead, they prefer to do business in certain geographical areas and countries (Buckley & Casson 2009). Even though there are several reasons affecting the entry choice of a particular market, one of the most prominent one is existence of cultural differences (Buckley & Casson 1998). Kogut & Singh (1988) examined the influence of a national culture to international entry strategies. They concluded that when investments are evaluated across the countries, cultural characteristics are likely to play

substantial role in the implications. Especially, cultural distance between the countries and uncertainty avoidance are key determinants (Kogut & Singh 1988).

The concept of cultural distance, which measures the degree to which diverse cultures are similar or different, is widely accepted construct in the international business literature (Shenkar 2001). Diverse cultures often have different views on what constitutes normal and responsible behavior. Depending on the background of the people and point of view taken to the matter, socially responsible behavior from companies can be perceived differently (Campbell 2007). In regard to multinational enterprises, social responsibility and ethical considerations have become a major issue that cannot be overlooked (Meyer 2004; Strike et al. 2006).

2.2 Corporate social responsibility

In general, CSR refers to the obligations of the organization to multiple stakeholders, meaning that firms should not operate with the sole objective of maximizing their profits but also to pay attention to be a responsible member of the local society (Smith 2003; Garriga & Melé 2004). The concept is highly relevant for MNCs as responsible behavior, in terms of local institutional standards, is closely linked to institutional pressures and organizational legitimacy (Meyer & Rowan 1977; Suchman 1995). Garriga & Melé (2004) concluded in their concept synthesis that CSR approach can be said to include four general aspects: long-term business wealth creation, responsible practice of business power, integrating business and social demand, and the creation of better society by being ethically sound.

2.2.1 Rationality behind increased CSR attention

Criticism of business organizations has increased and publics expect them to pay greater attention to CSR initiatives (e.g. Orlitzky et al. 2003; Meyer 2004). Smith (2003) clarifies that despite the hype around the concept today, CSR is not a novel idea. It is just that criticism towards corporations is more far-reaching, because higher expectations are put to private sector in solving social problems (Smith 2003). Corporations are facing increasing demands of responsible corporate practices by NGOs, communities and other institutional forces (Smith 2003; Garriga &

Melé 2004). Due to the proliferation and increasing power of activist groups and greater media attention to responsibility matters, organizations' non-market strategies are likely to become more important in the future (Baron 1995; Orlitzky et al. 2003). Thus, it seems that nowadays ethical behavior and conducting business cannot really be separated from each other.

The nature of discussion regarding CSR has changed from the early days: Instead of wondering whether commitments should be made, it is asked how and what to do now (Smith 2003). As a response to heightened stakeholder interest, many managers and MNCs have introduced new corporate social responsibility (CSR) initiatives and allocated more funds to activities (Williams & Siegel 2001; Smith 2003; Kostova et al. 2008). The fact that organization appears as socially responsible helps, at least to a degree, to deflect stakeholder interest on CSR issues (Strike et al. 2006). The trend of this increase in organizational interest to CSR has hardly gone unnoticed by the general public, which has witnessed, for example, the increasing number of launches of corporate codes of conduct, cooperation programs with NGOs and labor unions, and corporate advertising campaigns depicting achievements of responsibility.

Due to increased calls for CSR attention, reputational risk is an increasingly critical consideration in many organizations, adding pressure for CSR attention (Smith 2003). Today's consumer is enlightened, which means that mere symbolic gestures or lack of real intent will be noticed and disapproved. Consumers and other stakeholders can penalize firms for activities and practices that are not perceived as socially responsible (Smith 2003). This can manifest, for example, in the form of consumers boycotts or labor strikes, which not only affect the day-to-day operations of the organization but more importantly can succeed in raising huge amounts of negative media publicity. With the widespread high tech communications opportunities, such as smart phones and social media networks, consumers are able to get organized and set up boycotts and protests easily and very quickly. Should foreign corporation knowingly ignore the CSR ideology that prevails in the local market, it would likely face increasing resistance and criticism from the stakeholders leading to impaired reputation (Smith 2003). Understandably, this setting would be far from ideal for a company when it is trying to launch operations in new market.

2.2.2 The concept of CSR and stakeholder theory

Despite the apparent importance of the concept, previous literature states certain vagueness and obscurities relating to CSR that both cloud the academic research and hinder managers' enthusiasm to practice it (e.g. Garriga & Melé 2004). McWilliams et al. (2006) go as far as stating that the comprehensive analysis of CSR is still in its infancy, lacking proper tools of analysis. In addition, the research findings relating to CSR's contribution to firm performance are mixed at best, which has dampened the managerial interest towards the subject (McWilliams & Siegel 2001).

In the academic literature there is a myriad of meanings and interpretations associated with the CSR concept, including among others being law-abiding, charitable donations, corporate citizenship, and ethical obligation (Garriga & Melé 2004). Due to the vagueness of the concept, interpretations regarding the term can take various meanings. Therefore, depending on the point of view taken to the matter, what constitutes socially responsible behavior can vary a great deal (Campbell 2007). This is all the more reason, why precision is needed when defining the term. This study concurs with the view that states following the regulations and obeying the law do not add up as being responsible, but instead, are just minimum requirements that all actors should be fulfilling (McWilliams & Siegel 2001). Accordingly, this study embraces the definition that perceives CSR as an activity that furthers some social good and is beyond the core interests of the firm, emphasizing greater commitment than is required by law (McWilliams & Siegel 2001; McWilliams et al. 2006).

Acknowledging the importance of the stakeholder theory is a key starting point for the examination of CSR. When multinationals enter the new institutional environment, they are met with various demands and expectations from multiple stakeholders (Freeman 1984: 25).

Furthermore, Instrumental stakeholder theory emphasizes the importance of the satisfaction of stakeholders for the long-term success of the business (Jones 1995). As concluded by Jones (1995), having superior relationships with key constituents creates competitive advantage for an organization. This is a strong motivator for organizations to aim for sound relations with stakeholders and act responsibly and ethically with them (Jones 1995). This is also supported by

the research of Hillman & Keim (2001), who concluded that investing in stakeholder management can result in shareholder value creation and provide a basis for competitive advantage.

With the high amount of power stakeholders have over corporations today, it seems only natural that stakeholder theory is considered as the dominant paradigm in CSR (McWilliams & Siegel 2001). All the multiple stakeholders have their own view of what constitutes a responsible action (towards them), which is accordingly manifested through the demands they present. This existence of various views and conflicting goals relating to CSR contributes to the confusion associated with the concept (McWilliams & Siegel 2001). It is evident that meeting all the various demands of responsibility present a considerable, if not insurmountable, challenge for organizations. Relating to this, Strike et al. (2006) argue that firms are good and bad simultaneously: being socially responsible in certain activities succeeds in creating value, whereas being socially irresponsible in other actions ends up destroying it.

It is widely acknowledged that employees of the firm constitute not only a key resource but one of the most important stakeholder groups for a corporation (e.g. Freeman 1984). Unfortunately this does not always translate in reality, as there have been various extensively publicized scandals that have dealt with the misuse of employee treatment. Husted & Allen (2006) argue that MNCs often pursue strategies where the functions of local subsidiaries are very limited with minimal staff personnel. Scarce resources result in a situation that doesn't lend much attention to maintenance of CSR activities or monitoring the responsibility of labor practices. Remembering this, it is no wonder subsidiaries are rarely able to meet the requirements relating to CSR concerns (Husted & Allen, 2006). Several institutional stakeholders, such as social movements, labor unions and NGOs have pressured corporations to take more responsible action in the treatment of their workers (Campbell, 2007). Global standardization and the protection of reputations have functioned as motivators for MNCs to establish reasonable labor standards (Strike et al. 2006). The responsibility issues relating to employees include, amongst others, respecting employee contracts, adhering to the practices of local culture, and following the health and safety regulations.

Research shows that responsible reputation influences positively in seeking employment within a firm (Sen et al. 2006). Good and responsible treatment of personnel is likely to increase employee satisfaction, which further results in lower employee turnover (Smith 2003). As a consequence organization succeeds in retaining skilled workers and know-how while making savings in labor management. Putting this other way, CSR benefits firms through economic efficiencies, such as lower costs of staff recruitment and training (Smith, 2003). Of particular interest to this study is the research conducted by Uusitalo & Rökman (2004), who examined the entry process of Lidl to the Finnish market. Regarding Lidl's employment policies, it was found that they were similar to the Finnish retailers, as no particular employee issues were raised (Uusitalo & Rökman 2004).

2.2.3 The benefits of CSR

What is interesting about CSR concept is that, in addition to being a set of obligation, it also represents a promising strategic opportunity (Husted & Allen 2006). Theory of the firm perspective on CSR stresses the strategic promise of the concept. In strategic CSR firms engage in associating public good with their business strategy, which is aimed to attract socially responsible consumers (Baron 2001). Despite its strategic opportunities, Husted & Allen (2006) concluded that CSR management in MNEs is often subjected to meeting institutional pressures. In order to be able to fully exploit the benefits of CSR action, firms should aim to manage CSR more strategically (Husted & Allen 2006). Relating to this, McWilliams et al. (2006) argue that CSR can form an essential dimension of firm's differentiation strategies, which is why the element should be considered as strategic investment instead of a mandatory cost caused by the pressures of the institutional environment.

There are various benefits that organizations may be able to gain by incorporating CSR policies. In the light of academic literature these benefits include, amongst others, gaining legitimacy (Suchman 1995; McWilliams et al. 2006), product differentiation and new marketing opportunities (Hillman & Keim 2001; McWilliams et al. 2006), enhanced reputation (Fombrun & Shanley 1990; Smith 2003), ease of labor management and recruitment (Smith 2003; Sen et al. 2006), attractiveness in the eyes of investors (Smith 2003; Sen et al. 2006), and in increased shareholder wealth (Hillman & Keim 2001). Socially responsible action links very closely with

attainment of organizational legitimacy, a concept that is discussed more in detail in the next chapter. Being regarded as a socially responsible player is required in order to gain legitimacy for operations in the new environment, which is vital for the long-term survival of the company (Suchman 1995; Kostova & Zaheer 1999). In their meta-analysis relating to CSR's association to firm's financial performance Orlitzky et al. (2003) concluded that corporate social performance (CSP) correlates positively with corporate financial performance (CFP). In other words, it generally pays off for firms to engage in CSR practices.

What comes to the relationship of the CSR component and new market entry, there is a considerable research gap. Even though the generic strategies of market entry have been extensively researched, the CSR element of the entry decision has been largely ignored (Merz et al. 2010). Where research has been conducted on CSR practices of international firms, the emphasis has been on the amount of investment or examining the environmental performance, instead of examining the role of CSR in the market entry strategy (Merz et al. 2010). This view of lack of research is supported by Meyer (2004), who argues that the management of CSR in international firms remains an area of scarce information. Merz et al. (2010) examined the role of corporate philanthropy in market entry decisions by developing a conceptual framework whether to standardize or localize philanthropy. This lack of research is somewhat surprising, considering the strategic promise of the discipline and the mentioned benefits. As the link between CSP and CFP has been shown, managers are more likely in the future treat CSR as part of their strategic decisions in order to attain better CFP (Orlitzky et al. 2003)

2.2.4 The importance of responsible communications

When entering new markets, a firm encounters new stakeholder groups. This changes the stakeholder dynamics of the firm and presents a challenge for appropriate communications with these new actors (Skippari & Pajunen 2010). As a new entity appears next to the local actors in community, it is only natural that local people and society expect to know what the new entrant stands for. Sharing information and transparency in communications are qualities that stakeholders appreciate, helping to build trust and goodwill (Jones, 1995). Organizations should

aim to establish efficient two-way communications and engage in negotiations with all its identified stakeholders (Freeman 1984: 167, 223).

”A company has a duty to communicate. A duty to its many publics and to itself, because non-communication is negative communication. Impressions will be made. The company had better have a hand in making them.”

The quotation above was written by David Bernstein (1984: 8). It encapsulates in a clear way the urgency of corporate communications. Corporate communications forms an important part of responsible behavior. It is not only polite but also an act of openness and responsible action when an organization informs the various stakeholders who are affected. The quotation also depicts the interest and stake that an organization itself has in engaging clear communications: research shows that familiarity with a company has a direct link with favorability (Bernstein 1984: 2). Moreover, evidence suggests that favorable corporate reputation can earn an organization competitive advantage (Fombrun & Shanley 1990). Corporate identity management is an organizational function that seeks to create a favorable reputation with relevant constituents (van Riel & Balmer 1997). Thus, it would be reasonable to assume that organizations are eager to engage in this type of reputation building. Not knowing only gives ground for rumors and uncertainty.

Having good and clear communications is particularly relevant for MNCs, as they employ different practices and policies compared to local actors, which may result in becoming the target of prejudice and stereotype (Kostova et al. 2008). Morsing & Schultz (2006) discuss three types of CSR communications strategies that organizations employ when engaging with stakeholders. Firstly, the information strategy is one way communications, which is based on telling instead of listening. Secondly, in the response strategy communication flows in two ways, but the interaction is more based on necessity than willingness to change policies. Thirdly, involvement strategy aims to establish a sincere dialogue, in which organization not only interacts with stakeholders but also expects to be influenced by them. The latter option is one that assumes the highest level of responsible action (Morsing & Schultz 2006). As a whole, it is evident that proactive and coherent communications form an important part of responsible organizational

behavior. Furthermore, in terms of reputation enhancement, having socially responsible practices is not much use if nobody gets to know about them.

2.2.5 Institutional environment and CSR

The existing literature distinguishes global and local CSR. Global approach acknowledges “hyper norms”, such as environmental protection and ethical labor practices that transcend geographical boundaries, whereas local CSR activities attend to the requirements of the local community (Meyer 2004; Husted & Allen 2006; Kostova et al. 2008). The creation of these practices is linked to effort of establishing guidelines and expectations for MNC behavior in global perspective (Kostova et al. 2008). Husted and Allen (2006) concluded that while all MNC types value global CSR initiatives, multidomestic and transnational MNCs place greater urgency on local CSR than global MNCs. This implies that CSR is likely to conform to the established organization strategy of MNC (Husted & Allen 2006).

What kind of institutional circumstances influence the likeliness of adoption of socially responsible ways in firms? Campbell (2007) integrated CSR into the context of institutional theory in his examination of institutional conditions, which are more likely to induce socially responsible behavior. He argues that even though the economic condition of the organization affects the likelihood of pursuing CSR activities, various institutional factors that prevail in the environment mediate the adoption of CSR practices. These factors include, amongst others, the level of state regulation and industrial self-regulation, the degree of institutionalization of CSR issues in the environment, the level of competition, the number of monitoring entities (e.g. NGOs, institutional investors and press), and the level of membership and dialogue with trade unions and employer associations (Campbell 2007). In other words, variations in the evaluation of responsible behavior are attributable to differing institutional environments, and their ability to control and reward such behavior.

There is evidence that the approaches towards socially responsible behavior vary across countries (Maignan & Ralston 2002). This is understandable in the existence of very different cultures. Even within the same institutional environment changes in CSR valuations may occur:

Institutional environment does not stay static, but instead, can evolve and change according to various institutional actors and their preferences (Campbell 2007). All the above are central considerations for MNCs, because they imply that the geographical location, the development of institutional environment, and different periods of time influence the CSR evaluations. This means that, for example, new emerging trends have the potential to shift the emphasis on CSR. Even if the local CSR practices are unfamiliar for the actor, through the investment in stakeholder relationships and the accumulation of corporate social capital, MNCs have the opportunity to learn how to apply responsible action to the host-country standards (Strike et al. 2006).

2.3 Institutional environment and strategic responses

Local society together with operating actors and market conditions form a particular institutional environment, which embodies rules and practices, which are natural to that specific environment (Meyer & Rowan 1977)). This means that there prevails a mutual understanding of acceptable practices and what constitutes an appropriate behavior. Institutionalization consists the development of processes through which various obligations, social constructs and general actualities come to achieve a rule like standard in the society (Meyer & Rowan 1977). Institutional theory is able to explain the process of the creation and existence of legitimated forms of organizing that are dominant in a specific environmental setting (DiMaggio & Powell 1983).

2.3.1 Institutional pressures

As a result of the mentioned legitimized forms of organizing, best practices, norms of cooperation and forms of business policies are also created. Just by existing this kind of specific institutional environment is able to inflict pressures of conformity to its members. As a consequence, new organizations in the environment become under pressure to alter their structures and adopt practices based on external definitions on what is right (Meyer & Rowan 1977). Basically all different stakeholders can present a varying number of demands they feel they are entitled to, which is why pressures may take such many forms (Meyer & Rowan 1977). Considerations relating to CSR, as discussed earlier, are one of the main sources for institutional

pressures. This can manifest, for example, consumers demanding CSR action for exchange of customership or local society expecting a specific level of standards in exchange of place of business, government agencies introducing regulations and policies that function as prerequisites for operations, and labor unions monitoring that HR policies are in line with local agreements.

Institutional theory states that it is essential for an organization to acknowledge the importance of the regulations, cultural value systems, and other institutional forces, which present constraints and pressures to the operators in the environment (Meyer & Rowan 1977; DiMaggio & Powell 1983). In order to achieve and maintain legitimacy, MNCs experience pressure to adopt these presented demands and policies (Kostova & Roth 2002). Publics perceive reputations based on institutional indications signaling conformity to social norms (Fombrun & Shanley 1990). Thus, it makes sense that organizations should conform to these external norms and subject themselves to acceptable behavior that is determined so by the constituents. As a result, this conformity leads to isomorphism in the society, which means that organizations and their processes in the environment become similar (DiMaggio & Powell 1983).

It is evident that an organization with a very different background and operational practices is likely to face an arduous challenge in dealing with these demands of isomorphism. On the other hand, Kostova et al. (2008) argue that due to the fact that people know MNCs are coming from different culture with different practices, there are less expectations of isomorphism. This is why there is no need to engage in ceremonial adoption of institutional practices (Kostova et al. 2008). Similarly, Meyer & Rowan (1977) note that MNCs' diversity is tolerated to a degree, which is why there is no need for unnecessary ceremonial adoption of institutional practices.

2.3.2 Organizational legitimacy

When establishing themselves in the host environment, new actors, such as MNCs, face a critical task of establishing and maintaining legitimacy (Suchman 1995; Kostova & Zaheer 1999). Looking broadly, legitimacy can be defined as a generalized perception that the actions of a specific entity are appropriate within some socially constructed system of norms and values (Suchman 1995). From the perspective of MNC subsidiaries the “socially constructed system”

means the local institutional environment of the host country. It is only natural that the local constituents consider their ways of living and doing things appropriate. Therefore, they also expect new actors to live by these established norms. Moreover, due to disadvantage of liability of foreignness, gaining legitimacy and becoming accepted is even more important to MNCs (Kostova et al. 2008). Negative stereotypical judgments based on lack of information and different standards applied to foreign operators are examples of such disadvantages, which can present additional challenges in gaining and maintaining legitimacy (Kostova & Zaheer 1999)

Thus, legitimacy can be achieved by conforming to demands and pressures that exist in the institutional environment. A legitimate organization is considered more trustworthy, predictable and meaningful, which makes it substantially easier for the organization in question to operate in the new environment (Suchman 1995). Legitimate status not only results in survival but also in organizational stability and persistence, because local constituents are likely to cooperate and assist organizations that they perceive proper and responsible (Suchman 1995). According to Suchman (1995) the literature on organizational legitimacy can be divided into strategic and institutional schools. The ones favoring strategic approach see legitimacy as an operational resource with substantial managerial control over the legitimation process. Correspondingly, the supporters of the institutional approach treat legitimacy as a set of constitutive beliefs. This entails external institutional forces and cultural influences determining the existence and legitimacy of an organization.

Kostova & Zaheer (1999) suggest that legitimacy issues relating to MNCs involve complexities, which is why MNCs often find it difficult to achieve and manage it. Legitimacy can be explored either on the level of the whole organization or on the level of the subsidiary of the MNC. These legitimacies are interrelated, meaning that the legitimacy of the MNC subunit affects the legitimacy of the organization as a whole, and vice versa (Kostova & Zaheer 1999). Furthermore, what adds to the complexity is the fact that MNC subsidiaries obviously need to please the home organization at the same time when trying to impress the various stakeholders in the host environment. Rosenzweig & Singh (1991) concluded that MNC subsidiary is expected to establish and maintain not only external legitimacy in the host environment but also internal

legitimacy within the parent MNC. This conflict between local adaptation and global integration creates complexity and tension in the MNC subsidiary (Rosenzweig & Singh 1991).

2.3.3 Institutional strategies

It is important to acknowledge that these external pressures and cultural values mould the organization and have a substantial effect on its operations (Meyer & Rowan 1977; DiMaggio & Powell 1983). Naturally, the greater the effects to organization are likely to be as the level of difference between institutional environments grows. One can ask is it even possible, not to mention rational, for organizations to conform to all pressures? As explained earlier, conformity to demands often represents an attractive option as it pleases stakeholders and results in organizational legitimacy. However, total conformity to pressures will to a varying degree result in making compromises on business objectives and relinquishing organizational autonomy (Oliver 1991). Obviously, having to shift attention from organizational self-interests is not an ideal setting for any organization.

Literature reveals that there are various alternatives that organizations can employ in dealing with these demands and pressures surfacing from the environment. Particularly relevant to this study is a typology of strategic responses devised by Christine Oliver (1991), who introduced a set of strategic alternatives that an organization has when responding to pressures of the institutional environment. By using both the institutional and the resource dependence theories Oliver (1991) constructed the types of strategic responses, which vary from total passive conformity to active resistance. Five different strategies are as follows: acquiescence, compromise, avoidance, defiance and manipulation (Oliver 1991). The former represents total conformity, whereas the latter implies strong resistance. All these strategies comprise a sub-set of tactics, which further divide the different approaches. The benefit of this type of strategy categorization is that it provides a scope of alternatives for organizational behavior, depicting the balance of the institutional demands and organizational interests.

It is essential to acknowledge that for firms there is a variety of responses available, not just silent submission. It is safe to assume that for many organizations total conformity would be too high

price to pay: having to change too much of their operational policies would increase costs and reduce autonomy too much for the firm to operate profitably. In contrast to institutional theory, resource dependency theory emphasizes active engagement in order to exert organizational influence and manipulate external actors within the institutional environment and manipulating external actors (Pfeffer & Salancik 1978: 113-142). As a whole, it suggests that organizations do have alternatives to total conformity. As long as foreign organizations act within the law, they have the option to choose the level of responsiveness regarding the local institutional environment (Kostova et al. 2008). Therefore, it is only natural that in the strategy arsenal of an organization there exist options that require less conformity.

An important concept in this respect is the construct of institutional entrepreneurship, where organizational actors intentionally challenge and re-construct prevailing practices in order to create new institutions that better serve their interests (DiMaggio 1988 cit. Greenwood & Suddaby 2006; Phillips & Tracey 2009). Suggesting that institutional entrepreneurship is characterized by self-interest and calculative action is against the traditional view of behavior is shaped by taken-for-granted institutional prescriptions (Greenwood & Suddaby 2006). This kind of contesting the structures may involve active negotiation, communication and interaction with key institutions, in order to attain leniency and concessions relating to specific institutional practices (Kostova et al. 2008). Thus, MNC subsidiaries have the option of taking an active role in safeguarding organizational self-interest by pursuing to influence and manage the institutional pressures, instead of just conforming to those (Phillips & Tracey 2009).

Thomas Lawrence (1999) presented two types of institutional strategies, which are membership strategy and standardization strategy. These institutional strategies are concerned with managing and transforming institutional standards and rules of membership in order to establish conditions that favor the organization (Lawrence, 1999). Understanding the possibilities of these strategies is an important starting point when an organization seeks to challenge the institutional demands (Lawrence, 1999). The actors, often new entrants, who are less privileged by these prevailing rules and practices, seek to surpass or modify them in order to gain better position in the competition (Bourdieu 1993, cit. Lawrence 1995). This is only natural, as social rules, such as institutional rules, are often ambiguous and dependent on their interpretation and therefore

subject to transformation (Clegg 1989, cit. Lawrence 1995). Through the accumulation of corporate social capital this kind of influencing and manipulation becomes better available for MNCs. Corporate social capital refers to organizational know-how and resources that gradually accumulate to MNC subsidiary through its external and internal social relationships (Kostova & Roth 2003).

Kostova et al. (2008) present a novel stand according to which MNCs do not seek legitimacy through isomorphic process. Instead, regarding its status MNC engages in manipulation and negotiation individually with each institutional constituent (Kostova et al. 2008). The goal of the negotiation is to gain concessions in regard to institutional pressures. As a result, legitimacy can be viewed more as a social construction rather than a product of isomorphism (Kostova et al. 2008). In this light, corporate reputation and negotiation skills are regarded more important than pursuing isomorphism. For example, the CSR reputation of the MNC parent organization and/or other subsidiaries can function either as an advantage or disadvantage for the local subsidiary. Overall, with the help of the more resistant strategies organizations can decrease the severity of the effects that institutional demands cause to their operations. Just as conformity results in benefits (e.g. stability, legitimacy and external commitment) for the firm, resistance brings benefits of different kind, such as maintaining operational control and autonomy over decision-making (Oliver 1991).

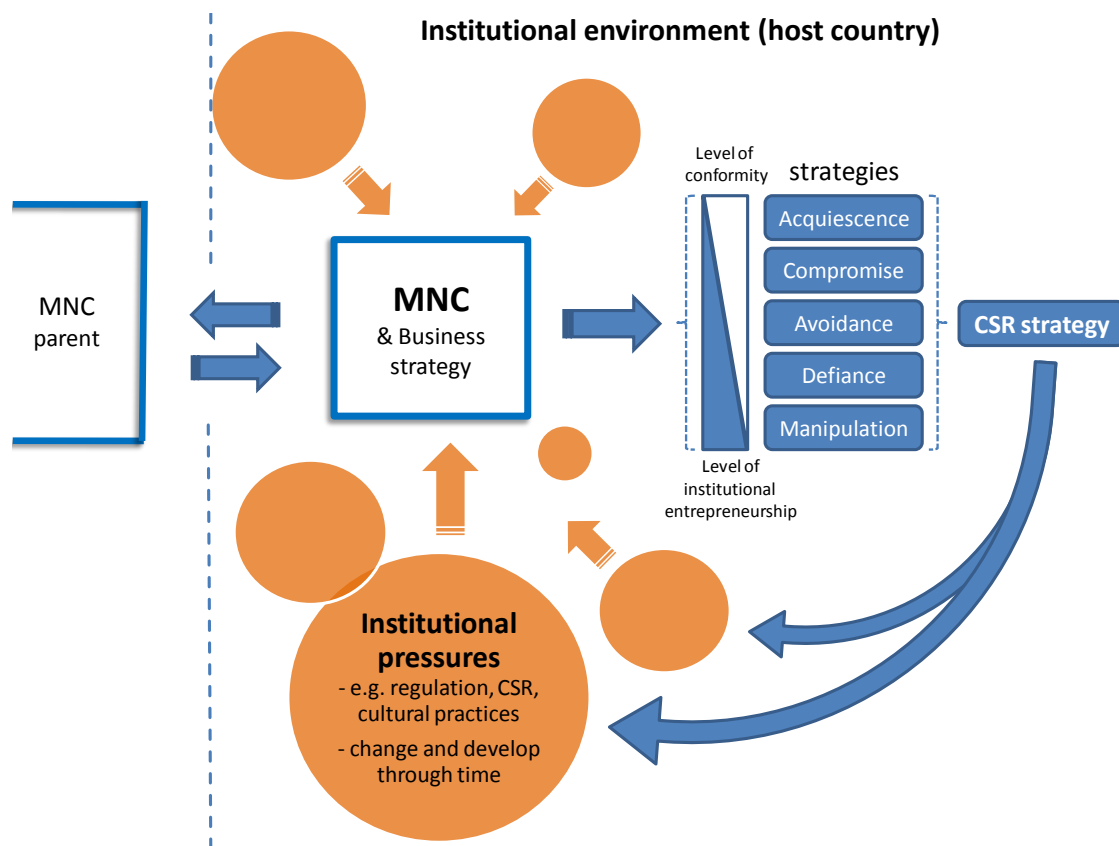
2.4 The theoretical setting of the study

This section summarizes the theories of this study, and based on those, presents a theoretical setting (Figure 1) in which this study takes place. The presented scheme has a solid base in the previous literature, forming a sound and logical entity for the purpose of the study.

The scope of the study is international as the case company is MNC subsidiary. According to the internalization theory MNC sets up a subsidiary to new market in order to exploit the market inefficiencies (Buckley & Casson 1991 [1976]: 45). When entering the new market, corporation becomes under the influence of new institutional rules and practices that prevail in the host country. Stakeholders in the environment exert pressures and demands for responsible action

towards the MNC subsidiary (Freeman 1984: 24-26; Jones 1995). These pressures relate, amongst others, to following government regulations, upholding CSR practices, and respecting cultural norms. The orange color shapes in the framework depict various pressures that are produced by institutional stakeholders. As a result, MNCs are under pressure to adjust operations in the host-environment, but at the same time they are driven by their self-interests (Kostova & Zaheer 1999; Lawrence 1999). In addition, subsidiary is accountable to its parent corporation in the home-environment, which influences the operations of the subsidiary (Rosenzweig & Singh 1991).

Figure 1: The process of generating a response to institutional pressure



MNC subsidiary has different options available when responding to these pressures. Oliver (1991) states five general strategies (acquiescence, compromise, avoidance, defiance and manipulation) that organizations can use. The central rationale behind the selected approach is based on the willingness and ability of the organization to conform to the environment (Oliver

1991). The selection of strategy is directly linked with the intended levels of conformity and institutional entrepreneurship. In other words, the selected option reflects both the organization's degree of conformity to institutional rules and the willingness to pursue institutional entrepreneurship and organizational self-interest. Institutional entrepreneurship entails the creation of more advantageous new institutions by challenging and re-constructing the existing practices (DiMaggio 1988 cit. Greenwood & Suddaby 2006).

The selected strategy functions as an organizational response to the institutional pressures. The alternative responses are termed as CSR strategies, because the response of the organization basically determines the level of responsibility it aims to pursue in the institutional environment. If organization shows high level of conformity and makes true effort of respecting local cultural norms, it is more likely to be perceived as responsible.

It is important to note that institutional environment is not static, but instead, the environment is of dynamic nature, in which the interests and valuations of various stakeholders can change and develop considerably (Campbell 2007). This also means that the scope and level of institutional pressures towards responsible action develop and take new emphasis. As the pressures and demands in the environment change, they also change towards the particular firm operating in it. Also, the relationships between the different stakeholders and the firm can change to one way or the other, and as a result the demands can either increase or decrease accordingly. On the whole, the firm needs to make new assessment of the applicable strategy and if necessary adjust it.

This case study puts the MNC subsidiary in a specific market context: Lidl Finland is the MNC subsidiary, whereas the host country (Finland) and its various constituents make up the external institutional environment. Key constituents, such as customers, trade unions, government offices, and employees, expect responsible behavior from the market entrant (Lidl Finland). This responsibility is perceived according to the local understanding of what is appropriate and judged through the level of witnessed conformity to pressures. Utilizing the mentioned strategies by Oliver (1991), a response strategy to institutional pressures is sought for the case company. More importantly, there has been a visible change in the organizational approach towards greater CSR

and institutional conformity. The purpose of this study is to examine the underlying issues and rationale that led to this change of approach.

This study comprehends CSR as a broad term, seeing it as an activity that furthers some social good and is beyond the core interests of the firm, emphasizing greater commitment than is required by law (McWilliams & Siegel 2001; McWilliams et al. 2006). The responsible action is measured through all firm themes that can be identified under CSR. These include, amongst others, labor relations (respect for labor standards and contracts, general treatment of employees, work place safety), approach to stakeholders (acknowledging the demands, respecting contracts, general treatment), corporate communications (transparency of interaction, availability of product information), approach to the welfare of the local community (cooperate within agreements, conforming to regulations), appreciation of local culture (ways of doing things, following established norms, and cultural disparity), and environmental consideration.

3 RESEARCH METHODOLOGY

This chapter presents the methodological considerations of the study. The research design is explained in detail. This is followed by detailed accounts on data sources and the techniques used in the analysis of data. The final section focuses on assessing the quality of the study. In order to get a proper idea of the Finnish retail environment and the case company in question, this chapter begins with a short introduction of the case company, Lidl Finland.

3.1 Lidl Finland and the Finnish grocery retail market

The total grocery retail sales in 2009 were €14,529 million. The Finnish retail market is highly concentrated. Two major market players, S-Group and K-Group, dominate the market with respective markets shares of 43,2% and 34,2% (Finnish Grocery Trade 2010). As a result, one key criticism is the lack of competition in the Finnish grocery market. There's has been a lot of discussion of the concentrated market structure and high food prices in the Finnish retailing. Within the grocery retail section Lidl has so far been the first and the only significant foreign multinational entrant in the Finnish market. Not only is Lidl a MNC subsidiary but it also represents a unique business model within the market actors. In 2002 Lidl's entrance shook the retail market, which resulted in increased competition and caused rival actors to adjust their operations and pricing (Häggman 2002; Uusitalo & Rökman 2007). By the end of 2009 Lidl's market share in Finland was 5,1%, which translated into €741 million (Finnish Grocery Trade 2010).

Lidl is a German-based multinational grocery retailer, which is owned by Schwarz Holding Group. Lidl is one of the biggest European retailers (Lidl Finland website 15.2.2011). In the fall of 2002 Lidl entered the Finnish retail market, where it operates as an independent subsidiary, Lidl Finland. Lidl's business model is hard-discounter, which is characterized by a limited product selection, private label dominance, strong price competition, and no-frills self-service stores. According to the retailer itself, the key business idea is to offer customers high quality with low prices (Lidl Finland website 15.2.2011). Company is positioned as the price leader on

the market with estimated price advantage of 10-15% compared to the main rivals. In addition to groceries, Lidl sells a supplementary stock of non-food utility items. Lidl's international operations have been characterized by a strong centrally led (standardization) concept, where subsidiary in the host country executes the strategy of the headquarters in home country. In the early years the offered product selection was narrow and consisted almost entirely from private label. Today, Lidl's selection is substantially more extensive, including plenty of local brands from Finnish producers.

Lidl's entry strategy to Finnish market was to build its own chain from scratch. In literature this type of entry strategy is greenfield foreign direct investment (FDI) (Buckley & Casson 1998). In the case of Lidl this meant that subsidiary operations started with a highly standardized store concept and a German management culture. As a result, the operations began with only a handful of stores and pursued rapid increase of stores in the following years. The entry strategy was to set up a store next to local price leader and then claim the price leader status for itself. The early years in Finland saw a rapid proliferation of stores nationwide. In the recent years the pace of extending the store network had decreased substantially. By the beginning of 2011 Lidl had set up a total of 137 stores in Finland (interviewee 4 21.3.2011). Company operates two distribution centres, one in South-Finland (Janakkala) and other in Central-Finland (Laukaa).

3.2 Research design

This is a qualitative research study that is interested in gaining deep understanding relating to a specific organizational phenomenon. The purpose of this study is to examine the causes and rationale behind the organizational change of the case company, Lidl Finland, in responding to institutional demands. Existing theories from multiple fields have provided the theoretical setting for the study of this phenomenon. This setting manifests itself in the presented theoretical setting (see page 31) that has a solid foundation in the existing literature. There are no pre-determined propositions or hypotheses that this study embarks to test. Instead, the idea is to identify emerging themes and use those in explaining the phenomenon.

A qualitative case methodology is chosen as it serves well the purpose and the objectives of the study. As the research questions reveal, the objective of the study is to understand a complex social phenomenon. A real-life case subject provides a good opportunity to assess how the phenomenon occurs and what factors influence and moderate it. This case is about examining an organizational change of a MNC retailer. The unit of analysis of this case study is the change of strategy of Lidl Finland in responding to institutional demands. In this study the change means a clearly identifiable transition in the manner of how the case company conducts its institutional strategy and CSR policy. Lidl's change of strategy, which has been generally detectable and distinct to people, is the basis for the study. Thus, the idea is not to study whether the change occurred, but instead, to examine the rationale that led to this change.

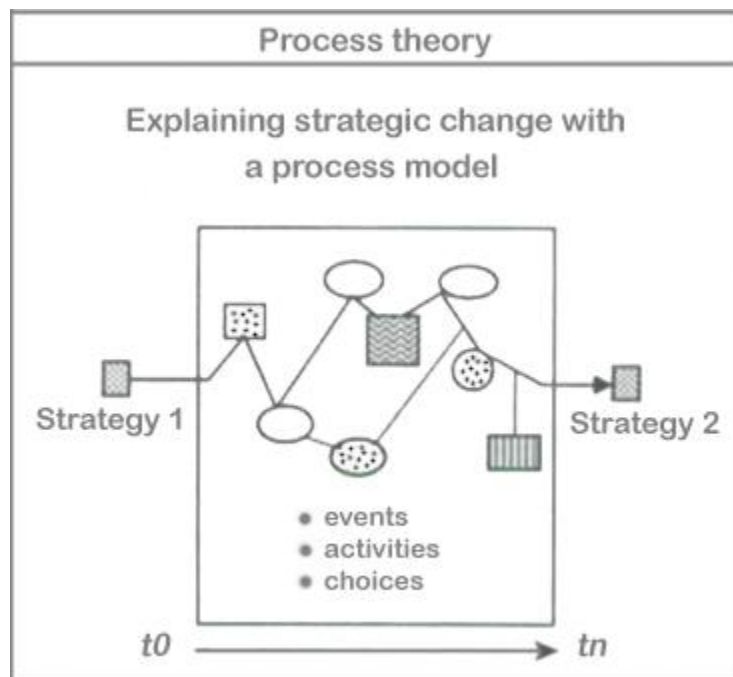
This study takes the form of a single-case holistic design, which is used to examine this particular phenomenon (Yin 2009: 46; Dyer & Wilkins 1991). It is acknowledged that due to the application of a single case design the contextual considerations in this study are highlighted. In order to be able to generate a sound understanding of the complex phenomenon, a contribution from case company Lidl Finland to this study was considered essential. The qualitative case study approach allows the examination of the perspective of the case study subject (Lidl Finland). Strength of the qualitative approach include ability to study a phenomenon in its own context, high potential for understanding complexities and non-obvious issues, and root out meanings from people's experiences (Miles & Huberman 1994: 10). All these point are highly relevant for this study.

The research approach examines the real-life events of the case company in the institutional setting where the Finnish subsidiary of Lidl operates. This ability of getting close to theoretical constructs is especially relevant in the context of longitudinal research that examines the development of phenomenon over time (Siggelkow 2007). Deep understanding of the context is expected to be helpful when identifying mechanisms and establishing rationale underlying causal relationships behind the organizational action of Lidl. This is an essential consideration as this study examines events, decisions, interaction between stakeholders, and the level of impact all these have on the process of change. Qualitative analysis can be very effective method when there is a need to assess causality: Its ability to identify mechanisms under the surface, address

complex and rich phenomena, dissect the events on temporal timeline, and its reiterative way of working all contribute to the successful formation of causal relationships (Miles & Huberman 1994: 147).

The process of change in this case is a gradual process, which takes several years to occur. Acknowledging this, a longitudinal process data is examined in order to identify the whole process of change. The rationale behind the longitudinal examination of events and incidents is that it provides a transparent description of the evolution and transformation of an organization over time (Pettigrew 1990). This model of process theory is explained in Figure 2. Through examination of the phenomenon, this study identifies significant events affecting Lidl and builds a timeline of their occurrence. This functions as a basis for a throughout narrative, which offers a rich description of the existence of the case company in the Finnish market. This type of narrative functions as an output of explanation building technique, in which a phenomenon is explained through identifying causal links of events (Yin 2009: 141). Explanation brings the understanding of the underlying rationale and reasoning that functioned as motors for the change.

Figure 2: Process model for strategic change



(Mohr 1982 sit. Langley 1999)

Several factors contributed for the selection and use of holistic single-case design. When a particular case represents an extreme or a unique case, single-case approach is appropriate (Yin 2009: 47). Not only is the case company the sole MNC that operates in the Finnish grocery market but also it represents a rare phenomenon of radical organizational change. Holistic approach is logical in the absence of proper subunits. In addition, the theory base for this case research is of holistic nature to start with, which is why holistic case design seemed appropriate. The selection of the case for this study was based on both theoretical and critical case sampling attributes (Miles & Huberman 1994: 28). On one hand, Lidl Finland represented a theoretical construct that was the object of interest of this study. On the other hand, the presence of Lidl Finland in the Finnish retail market represented rather unusual, dramatic and special case, which was likely to provide rich information relating to the concepts of interest. Moreover, it does not only make sense to choose a specific organization but is often desirable, as it enables the generation of insights that others cannot provide (Siggelkow 2007).

3.3 Data collection

The essential consideration in selecting relevant data sources is their ability to provide accurate and rich information in relation to the research objectives of the study. Typical feature and strength of case method, is the ability to capitalize on data collection from multiple sources (Eisenhardt 1989; Yin 2009: 114). This thesis uses several sources in securing the research data. The data sources used are media archives of selected business titles and semi-constructed interviews. This data was complemented with some corporate information materials. These methods have certain different strengths, providing alternative perspectives to the research problem. Multiple sources increase the validity and reliability of the research, which is further discussed in section 3.5.

In order to create throughout picture of the elements of the change process the period of evaluation is extensive: approximately eleven-year-period, starting already from the pre-entry period and continuing to this date. The availability and accessibility of information was a consideration when conducting empirical research of the study. As this is a case study of a

particular organization, the level of cooperation from the case company itself is a factor in determining the richness and accurateness of the research data. Extensive corporate data was requested from Lidl Finland. The request was turned down, which was not too surprising considering the tight corporate policy on information sharing to third parties. However, at later stage an interview and some company data was later secured from Lidl Finland, which was an important development. Lidl provided the complete listing of its stores, revealing the geographical distribution of the stores and the growth rate of the store network.

3.3.1 Media archives

The main data sources in this study are the media archives of selected business publications. Five identified business titles most relevant to this study are Helsingin Sanomat, Kauppalehti, Taloussanomat, Talouselämä and Markkinointi & Mainonta. Selected media represent the top quality news publications for business and economy in Finland. Media archives are especially suitable for a research that needs to map out longer periods of time. Thus, the news material is used to establish the temporal chain of events. The pieces of news articles saved in archives have encapsulated the events as they occurred. As these publications have followed the times and events of Lidl Finland, the information in data archives authentically represent the time and context as the company events unfolded. By publicizing multifaceted news articles and stories during Lidl Finland's years of operation, each of them has in a sense produced "the history" of the subsidiary in the Finnish market.

All these media have electronic news archives that contain previously released news material. These articles can be accessed online. Obviously, not all published news material are relevant to the purpose of this study, which is why content-wise irrelevant hits are ignored. Thus, not all company related material is collected, only the material that relate to the themes of the research. Relevant themes include amongst others corporate communications, CSR issues and management, institutional pressures and responses, competitors responses, institutional entrepreneurship, and stakeholder interaction. The ideal data contains concrete news stories that establish Lidl as an active player: What has Lidl itself done, what has been done to Lidl or what has happened to Lidl as a result of institutional action. Isolated comments with strong

opinionated bias and no actual facts or substantiated events are put less emphasis. Collected articles are saved into separate documents for later analysis.

As mentioned earlier, the data collection period is relatively long: data will be sought from the beginning of 2000 up until the present (February 2011). The data was collected during several separate sessions in February 2011. Data collection from business titles were not tied to any specific schedule or time of the day, which allowed flexibility and freedom in the data collection process. The raw archive data resulted in total of 277 news articles with a total word count of over 78000. There are few limitations of the data of the data. There is no absolute certainty that the data from the original print has been converted to digital form without “losing” something on the way. There is also the potential bias of the journalists, who produced the material. The news articles and stories are written by a specific journalist, who often manifests his or her opinion in the writing. The authors of these articles are primarily journalists that specialize in business and trade, which should function as an indication of expertise in their respective fields.

3.3.2 Interviews

Semi-constructed interviews are used as a secondary data collection method. This case study aims to generate an in-depth understanding of a complex phenomenon. In order to accomplish in this, interview technique was considered as essential ad-on due to its unique strengths: interview situation allows interviewer to access other person’s perspective, which is considered meaningful for the research purpose (Patton 2002: 278). Interview provides an interactive situation, where causal inferences and ample explanations have the potential to provide insight on case constructs (Yin 2009: 102). Learnings from well-informed actors contribute to the richness of case data, which further enhance understanding. This is likely to be fruitful in the actual data analysis and theory generation of the study. A good point about interviews in this particular case is that they allow the comparison of data with the findings derived from the archives of the business publications. This way multiple data sources function as validating tools for each other.

The interviews were conducted by two Aalto university researchers, who worked in international project studying Lidl Finland. Gaining access to the key informants was relatively easy,

excluding the most important of them all, Lidl Finland. The retailer turned down the initial request for cooperation, and only later decided to grant an access to an interview meeting. This was important development, as the case company, by definition, was considered as the single most important source of information. By the time of analysis of this study a total number of four interviews had been conducted (see Table 1). The interviews took place in the first quarter of 2011 and included top management from key retail organizations.

Table 1: Listing of interviewees

interviewee 1, labor union manager, PAM (labor union), 21.1.2011
interviewee 2, trade association manager, The Federation of Finnish Commerce, 21.2.2011
interviewee 3, trade association manager, The Finnish Grocery Trade Association, 21.2.2011
interviewee 4, retail manager, Lidl Finland, 21.3.2011

The interviewees were mapped out on basis of their estimated expertise and ability to contribute to the research problem. All the interviewees have a long experience on leading positions on their respective organizations and were around already in 2002 when Lidl entered the market. As a consequence, they should have a good understanding of time and events of Lid in the Finnish institutional environment. Thus, it is likely to assume that the data provided will be both truthful and valuable. The interview themes included amongst others market entry considerations, Lidl's business concept and relationship with parent MNC, cooperation and relationships with Finnish institutional actors, Lidl Finland's labor relations, and corporate communications. All the interviews were recorded and transcribed, in order to guarantee that no important points were missed. Where possible two persons attended the interview situation; one operated as the primary interviewer and other concentrated in making notes.

3.4 Data analysis

The data from news archives and interviews are subjected to qualitative content analysis, which is a widely used qualitative research technique (Hsieh & Shannon 2005). It is used to interpret meanings from the content of text data. In particular, the analysis of this study uses longitudinal

data in order to create a sound picture of the course of the phenomenon. The ultimate objective of the data analysis in this study is to produce a rich narrative explanation that provides descriptions of different organizational phases and identifying causalities that were central to the change process. The utilized data collection methods, archives and interviews, result in extensive amount of research data. In terms of analysis, the abundance of data is an upside. Rich and multifaceted data enables the generation of in-depth understanding of the case (Dyer & Wilkins 1991). This is essential as for a researcher to be able to interpret longitudinal data properly, he needs to get close to the constructs (Siggelkow, 2007). Moreover, high attention to detail and various case aspects can be seen as a prerequisite for a compelling narrative with various perspectives and different angles, which should result in accurate and truthful narrative (Langley 1995).

As explained in research design, the target of the analysis is a process of change. Previous literature lists key considerations in analyzing change. These include, amongst others, the interconnected level of analysis, the importance of temporal interconnectedness, the highlighted role of context in all action, and the complexity of causation, which is neither linear nor singular (Pettigrew 1990). The events leading to the change of Lidl's CSR approach takes place within a specific context, where actions and events follow each other creating a temporal continuum. As the causation of change of Lidl's CSR approach is neither linear nor singular process, the rich data and sound understanding of the various aspects is required in order to be able to interpret the phenomenon. The analytical process of identifying the relevant factors from masses of data can be both arduous and challenging. In addition, there exists a possibility that the actual narrative becomes too complex.

3.4.1 Different phases of analysis

The analysis process of the longitudinal data consists of several different phases, each of which entails a process of data reduction. Important element of the analysis is the reduction of data, in which researcher selects, discards, organizes, and processes the data, ultimately paving way for final conclusions (Miles & Huberman 1994: 11). The initial data reduction (analysis) of the longitudinal data took place while collecting the data from the archives. In the news archives there was an abundance of data, of which considerable amount was not relevant to the purposes

of this study. Thus, the analysis of data overlapped with the collection of data. The simultaneous collection and analysis of data is a unique feature of case study analysis, which allows researcher to revise case constructs and direct the research process in most promising direction (Eisenhardt 1989).

Early on initial conceptualizations of the Lidl case constructs started to be formed. This affected the data collection both intentionally and unconsciously. As the data collection progressed and understanding of the case increased, case constructs kept developing and initial conclusions of the research questions were forming. According to Eisenhardt (1989) early analysis is beneficial as it not only allows learning and the generation of initial case insight but more importantly it introduces flexibility to data collection. Immediate insight is useful in the ongoing data collection process, as flexible changes and adjustments can be exploited.

Empirical study examining change requires the disclosure of temporal patterns and causes that shift the status from continuity to change and vice versa (Pettigrew 1990). The following phase of the analysis entailed the creation of timeline of key events in the form of tabular spreadsheet display. The documented news material was examined throughout with an objective to identify key events and activities relevant to the research problem (responsible behavior in institutional environment). The idea was to find concrete events that established Lidl as the object of institutional attention, or alternatively, Lidl being an actor responding to demands of various stakeholders. The identified actions were used as construction material in the creation of the timeline. Preliminary issue categorizations were made in terms of type of action and the dimension of CSR identified. With the help of the timeline preliminary causal links could be conceptualized and different institutional phases of the Lidl Finland could be identified.

The interview data were transcribed into documents from the digital tapes. Notes made in the actual interview situation provided additional understanding for themes. These documents were read through several times, after which notes of the surfacing key issues and demonstrative citations were made in separate document. Further analysis on these notes unveiled causal linkages between key events and activities. These emerging points from interviews were compared and reflected with the findings from the archive data. One limitation of the interview

data was the existence of few occasional obscurities in the digital tape recordings. As a result, hearing and understanding of some individual points was difficult. However, this was rare and had no effect on the overall understanding of the key issues.

3.4.2 Creating the case narrative

This study uses the qualitative analytical technique known as explanation building, which seeks to provide a throughout explanation of the phenomenon by revealing the underlying causal links (Yin 1994: 141). This explanation manifests itself in the form of a rich narrative story. The various data displays (tabular evidence constructed from the archive material, interview transcriptions, and comparative notes) together with the generated case insight functioned as a basis for the creation of detailed narrative of the case company Lidl Finland. The fundamental idea behind the narrative is to develop an understanding of organizational phenomena through an insightful story with emphasis on rich and complex case description (Langley, 1999).

The strength of the technique comes from its ability to reproduce high level of detail, ambiguity and subtlety that mirror the actual setting. Narrative strategy has a deep focus on contextual detail and rich data, which is why this approach is suitable for analyzing one case only (Langley, 1999). As a result, the output should convey a high degree of authenticity. The objective is to be able to pin point causal relationships, which help to explain why specific actions and decisions took place at some specific time period. This way a rationale or an explanation can be developed for the organizational change relating to Lidl's CSR approach.

Building an explanation was an iterative process with constant revisiting of the research questions and the produced data displays. Chronological narrative with detailed descriptions of key events and meaningful actions from both Lidl itself and various stakeholders allowed the identification of causalities of the changed organizational approach. Exploration of relationships between events and actors were used to produce causal linkages and theories, which can explain rationale behind organizational action of Lidl. The primary interest, as stipulated by research questions, was to try to narrow down the period of time when Lidl's strategies to CSR started to

change and to find the underlying causes for this change. The phenomenon is examined in real setting with rich data and complexities.

The final part of the analysis entailed a theoretical analysis of the case in terms of reflecting the data findings in the context of the theoretical framework of the study. This process enabled transforming the learnings from the narrative into the theoretical setting.

3.5 Criteria for quality evaluation

This chapter will take a critical look into the quality of this research report. In methodology literature the credibility of a study is generally examined through the concepts of validity and reliability. Due to different philosophical schools in case research and abundance of existing analysis techniques, there is no one shared standard for evaluating the quality of qualitative studies (Dyer & Wilkins 1991). For example, many interpretivist researchers see that it is not possible to specify general criteria for good qualitative work (Miles & Huberman 1994: 277). This study approaches the matter of evaluation through four common key indicators that are used to evaluate the quality of empirical social research, such as case studies. According to Yin (2009: 40-41) these indicators are:

Construct validity: developing correct operational measures for the study concepts

Internal validity: aiming to establish causal relationships, where specific conditions lead to other conditions

External validity: determining the domain to which findings can be generalized

Reliability: demonstrating that the study procedures can be repeated and same results achieved

In the following the quality of the study is reflected towards these mentioned indicators. In addition, attempting to provide as holistic stance of quality considerations as possible, general analysis of key issues of this study is incorporated in the discussion.

Construct validity

This section explains the rationale and discusses critically relating to the employed operational measures in the study. The unit of analysis of the study is a process of organizational change. It is acknowledged that change is a relative concept and can mean different things to people. For the purpose of this study, a change of organizational behavior was determined as specifically as possible. Defining what change means, helps reader to judge whether the presented events and causalities properly constitute the discussed change. Moreover, in order to account a clear and holistic picture of the study for the reader, this study has attempted to provide a transparent, detailed, and logical description of research method, presenting the different phases of data collection and analysis as well as the surfaced findings.

The research design of this study employed qualitative case method as it allows the in-depth examination of the study subject in its own context, which is especially relevant in longitudinal research that examines the development of phenomenon over time (Siggelkow 2007).

Furthermore, when studying change understanding dimensions, such as temporal interconnectedness, the highlighted role of context, and the complexity of causation, is quite essential (Pettigrew 1990). Correspondingly, archives of media publications were appropriate data source because they are likely to reveal the occurred events as they were seen in that time period within the existing context. In addition, archives together with interviews offer rich data and various perspectives, which was central for the building of a comprehensive explanation. A case narrative has a focus on contextual detail and rich data, which is why it is suitable technique when analyzing only one case (Langley, 1999).

In an attempt to reach data triangulation, this study has exploited multiple sources of data evidence. These sources, archives and interviews, have certain different strengths, providing alternative perspectives to the research problem and contributing to the validity of interpretation. The intention of the triangulated approach is to exploit the particular strengths of different data collection methods (Pettigrew 1990). Thus, rich and complementary data allow comparisons and help to recognize potential biases. This way multiple sources increase the validity and reliability of the research. The triangulation resulting from the use of multiple methods builds an extensive

database, which provides a strong verification of concepts and allows deeper conceptualization of insight (Eisenhardt 1989; Pettigrew 1990).

Keeping objective stance towards the case subject is of utmost importance, in order to guarantee authenticity and validity of the findings. Consideration was put in order to resist researcher bias in data collection and analysis. In data collection initial themes and key words were established, which functioned as a guiding tool in collecting relevant “hits” of data. This was meant to counter any subjective judgments affecting the collection process. In analysis a conscious effort was taken to rely solely on the raw data as a basis for reasoning.

Internal and external validity

Causation of change is complex, with multiple causes affecting the outcome (Pettigrew 1990). The correct interpretation of events and delivery of meanings are dependent on the researcher’s ability to generate insight. The analysis of events, identification of causalities, and reaching conclusions in this study has tried to follow a systematic process of consecutive research phases. As the change of Lidl’s organizational approach took several years and was characterized by complex chains of various events, there is a danger of making incorrect inferences. It is hereby acknowledged that the complexity of causation relating to the case phenomenon involves a risk of misinterpretation. However, several steps were taken in order to reduce the possibility of incorrect reasoning.

The rich case data is vital in addressing the problem of internal validity. Data from different perspectives allowed to create sound understanding of the case constructs and the factors that contributed to them. This type of extensive mapping was undertaken in order to identify all factors that had potential in contributing to the causal process. Analytical tactics of establishing chains of evidence, explanation building and addressing rival explanations have been used in tackling the internal validity problem (Yin 2009: 41). As a final output a rich and holistic case narrative was produced, which served in explaining the phenomenon. This included establishing various perspectives to issues and addressing rival explanations to occurred developments.

This study has a holistic single-case design. This study is not suggesting that the results are applicable to another organization in similar type of situation. The issue of external validity is a serious consideration for this type of study, as single cases offer poor basis for generalization (Yin 2009: 43). This is not seen a problem for this study, as the single-case design was chosen for all the different reasons than scientific generalization. The primary objective of the study was to explain and understand the phenomenon of change, and as a consequence, generate new conceptual insight that could have relevance in broader context surpassing the case boundaries. Siggelkow (2007) states that there are at least three central arguments for a case study such as this one: motivation (demonstrating the importance of the study phenomenon), inspiration (exploit new insight that emerge from the data) and illustration (illustrating causal relationships through a real-life case). Thus, this case study draws theory from emerging findings in order to conduct analytical generalization. Based on findings, this study suggests some propositions that could have general applicability.

Reliability

In order to increase the quality of the research, the data collection of this study has tried to follow pre-determined case study protocol. Adhering to developed study protocol is an effective way of increasing the reliability of case studies (Yin 2009: 79). Thus, as preparation to the collection of data, a case protocol document or “plan of action” was developed. Firstly, this entailed the overall description of the case, including stating the objectives and listing of general consideration. Secondly, the data collection procedures were determined, which included clarifying the accessibility questions relating to sources, drafting a collection schedule, and defining approach for documenting the data. Thirdly, a facilitating list of guiding case questions and ancillary pointers was drafted, which served as a reminder ensuring that relevant information was collected.

The outputs of analysis and resulting conclusions of this study are based on the collected empirical data. In order to enable further reference, the empirical data and generated data displays has been documented as well as possible. In terms of reliability of the study, building a case study database of key documents is an important consideration (Yin 2009: 119). Thus, during the

research process there has been a conscious effort in trying to document as much data as possible. This documenting of data applied both to the collection of the data as well as to the outputs of analysis. All the original news material collected from the archives has been saved in separate documents. Similarly, the transcriptions of the interviews as well as the research protocol draft have been kept. In terms of analysis, several outputs of analysis from different phases have been documented. This includes initial notes and conceptualizations made from raw data, the tabular spreadsheet of key events, listing of key citations from interviews, and the case narrative.

Relating to the use of archival data, there is a credibility issue that needs recognition: At the time of production the news articles were products of specific purpose and directed for other audiences than the readers of this case study. This type of conditions must be acknowledged when evaluating the accuracy of the archive records (Yin 2009: 106). This problem was considered in the data collection, where clearly biased and opinionated articles were excluded from the data. Similarly, if a clear journalistic agenda was identified, the data was not included in the actual analysis.

The interview data was collected by two experienced researchers from Aalto University. The quality of information obtained in an interview setting is for the most part dependent on the interviewer (Patton 2002: 279). Having experience from this type of research setting likely contributed positively to the quality of information, in terms of knowing how to make the situation comfortable for interviewee, and making sure the right questions were asked. The recorded interviews were transcribed soon after the actual interview, which contributed to rich and accurate account of the interview situation. All the respondents were part of top management with long work experience, which speaks on behalf of respondents being experts in their respective organizations. Despite all the action taken to increase the quality of information, there is one potential limitation of the interview data. The respondents obviously represent their organizations, which is why certain comments may be colored in order to portray their own organization in better light. Thus, there is a possibility for interviewee bias.

4 RESULTS

The findings of the study are presented and discussed. This chapter is divided into two sections. The first one presents the case narrative, which builds an explanation of the organizational events of Lidl Finland, and particularly of the change of the firm's CSR strategy. The narrative course primarily follows a chronological path and identifies different sub-phases of the organizational development. In order to keep the narrative story as coherent as possible there may be few instances where inferences break slightly from the chronological path. Central points are highlighted with source information and authentic citations both from the raw archive data and the interviews. The second section integrates the case with the theoretical setting of the study. Here the focus is on the analysis of the change process: How the process unfolded, what kind of process was it and what factors played a role in determining the course of the change process?

4.1 The case narrative

4.1.1 Preparation of the entry / situational analysis

In the turn of the millennium (2000) Lidl started to express interest to the Finnish retail market. Preliminary market analysis was conducted. The recruitment of personnel started, which followed negotiations with councils and cities regarding the land properties and store sites. Lidl's entry plans surprised the Finnish retail market actors. Widely shared impression amongst the local actors (retailers, trade associations and interest groups) was that the Finnish grocery retail market was too small and geographically remote in order to interest big multinational players (Taloussanommat 2.2.2000). Even if someone would come it was considered certain that the entry would occur through acquisition of one of the smaller retail chains. Rival retailers and market experts saw it that without existing network of retail stores it was impossible for Lidl to establish meaningful presence in Finland. Bureaucratic municipal zoning and the scarcity of good store locations were considered a major entry barrier.

The initial response of many local market actors (rival retailers, Finnish Grocery Trade Association (FGTA)) was to consider Lidl's entry as a hostile competitive action. This was the

reason why trade association FGTA did not even offer cooperation possibility for Lidl in the very beginning. Members of the Federation of Finnish Commerce supported Lidl's membership, but this was more out of selfish reasons than local hospitality.

"Our members wanted Lidl in, because as an outsider it was considered more hazardous... as a member Lidl would be bound to general rules" (Interviewee 2 / 21.2.2011)

The proverb "keep your friends close but your enemies even closer" seemed to apply here. It was easier to monitor and control Lidl from close. Rare sign of early institutional cooperation was witnessed when Lidl saw in its best interest to join the Federation of Finnish Commerce before the launch of its first stores in 2002. This type of decisions regarding labor relations were up to the consideration of the local management in Lidl's organization (Interviewee 4 / 21.3.2011).

In the beginning of the 2000 the Finnish grocery retail market was highly concentrated and oligopolistic (this continues in 2011). As a result, one main criticism from consumers' perspective had been the lack of competition in the Finnish grocery market, which many have considered as one of the key reasons for relatively high food prices. There's had been a lot of discussion of the concentrated market structure and high food prices in the Finnish retailing. In the Finnish market there existed no hard discount chains that would compete on price. Market experts and retail researchers did criticize the local retailers for leaving a clear market gap in the value/low-price segment (Taloussanommat 19.9.2001). Lidl identified this market gap in Finland and capitalized on it. Lidl saw that on the Finnish market existed high buying power, while the competition was imperfect, at least to a degree.

The communications policy of Lidl was unconventional for Finnish/Nordic culture. Traditionally the German business culture was considered to be much less open and transparent than the Scandinavian operation culture (Taloussanommat 11.3.2002). Privacy laws were stricter and public information obligations were smaller. Thus, corporations in Germany had become accustomed to not share organizational information unless necessary. At any point Lidl did not communicate or inform any stakeholder party about its plans, objectives and strategies concerning the entry to Finnish market. This resulted in bewilderment and uncertainty in Finnish institutional actors.

Various stakeholders, especially media, called for information and greater openness of the operations.

"Due to the silence and abstinence of the company, it is hard to make sense of the motives of Lidl Finland" (Helsingin Sanomat 24.8.2002)

The "no comment" policy originated from the German parent organization, which had instructed the local management not to disclose any information that was surplus to the compulsory requirements of authorities. As a result, secondary source news, experiences from other countries, and public market information from the operations of its stores abroad built the initial basis for consumer knowledge and media discussion. This was probably one of the biggest reasons for the creation of many misconceptions and untruthful assumptions relating to the company. "The silence" gave ground for rumors and speculation.

"The information gap that is intentionally left by Lidl will fill in any case. Several trustees and lobbyists will take care of it" (Markkinointi & Mainonta 30.8.2002)

Some even though this type of non-communication was a clever and cost-efficient marketing trick through which Lidl was able to arouse interest and buzz. Others thought it was just an indication of bad and irresponsible management. The truth was that Lidl's organization at the time did not enable proper resources in order the company to be able to manage good stakeholder communications. Allocating resources to communication would have been away from the main objective of rapid expansion of the store network. The management of Lidl Finland reflected the situation on retrospect:

"We had no time and no know-how... and we had no time to learn"

"We did not proactively counter these rumors... we were passive, really bad"

(Interviewee 4 / 21.3.2011)

In addition, Lidl was adamant of not relinquishing any company information for the use of competitors. This contributed to the wariness of the firm, hindering communications even further.

The imminent entry of Lidl led local retailers to engage in various competitive measures. For example, S-group took rather desperate preventive counter-action by introducing a trial discounter store called Senti, which represented totally unknown area of expertise for the company. This trial was not successful, and more represented the state of bewilderment amongst the local retailers than any true strategic vision. Local retailers took preventive action by checking their internal processes for improved efficiency. A closer look was also taken to the entrant:

"Rival retailers amongst others commissioned a consultation report on how to compete against Lidl" (Interviewee 3 / 21.2.2011)

In preparation, retailers increased the share of private label products across the board. Despite some changes, the Finnish retailers primarily continued to rely on their strengths such as known brands, best store locations, high level of service, extensive selections, and strong customer loyalty.

To surprise of the Finnish retailers and market experts Lidl quickly succeeded to secure good store locations in negotiations with local council authorities. Notwithstanding the zoning success, the preparations of the entry were not that smooth in terms of cooperation with the local institutional actors. Building authorities and local councils clashed with Lidl regarding the implementation of its store concept. Lidl did not show any interest or initiative towards joining the common bottle recycling system, even though it was made clear that the issue needed addressing. Ministry of environment had to demand Lidl to participate in the negotiations (Talouselämä 30.8.2002). Instead of cooperating, Lidl surprised everyone by seeking permission for own recycling system. As a consequence of these initial confrontations, "cracks" had started to emerge in the relationships between Lidl and local institutional actors.

4.1.2 Entering the market

In the end of August 2002 Lidl opened its first stores in Finland. Opening of the stores created buzz and interest amongst consumers. International grocery chain was rather unheard of in Finland. The range of responses was wide: some rejected the concept immediately, whereas others eagerly welcomed the alternative offering, lower prices and increased competition. Consumers wondered unfamiliar products, short check-out desks and the plain presentation of stores. The media focused to pick on found problems, oddities and differences of practices compared to local retailers. Lidl's non-existing communications policy remained unchanged after the opening of stores. As a consequence, the Finnish consumer joined the confused stakeholders who had had dealings with Lidl. Consumers expressed concern regarding the lacking product information and unclear labels related to places of origin. Media demanded greater transparency and conformity to Finnish operating standards. It was doubted whether the abstinent communications approach could work.

"The authorities need to make sure that Lidl is subjected to the same regulations as its competitors" (Taloussanomat 3.9.2002)

"It is interesting to see whether consumers prefer low prices or openness and meeting the rules of the Finnish society" (Taloussanomat 9.9.2002)

Lidl systematically turned down all enquiries for supplementary information and interview requests. Lidl's entry was a big thing, but due to this lack of cooperation and available information, media found it arduous to make good and comprehensive reportage of Lidl. Thus, often media coverage was reduced to wondering and bemoaning the situation, with little factual news material.

Lidl entered the Finnish market with its standardized business concept. Lidl was known of its strict, yet efficient, operating concept and its centralized purchasing strategy with little local market adaptation. Even though the concept was strict, there existed room for local adaptation:

“Lidl is concept... that’s led from the parent company...The management of each country is responsible to maintain and develop the concept locally” (Interviewee 4 / 21.3.2011)

The strength of Lidl was the international product volume, which in the first place guaranteed the low-price strategy. Lidl positioned itself as a replenishment store with relatively small product selection, consisting almost entirely from private label. In the beginning with small store network it was impossible for Lidl to offer local product adaptation, because the local retail giants got substantially better deals from suppliers. The initial standardized approach was not only deliberate but also a downright necessity. Due to scarce resources and the support from the parent MNC, the standardized concept model was by far the easiest option to implement the store chain in Finland.

“When we start from zero, everyone can think whether it makes sense to resort to huge international volume... or do we start from small local volume...”

“Naturally we take our strength from there, where from it is available”
(Interviewee 4 / 21.3.2011)

Many stakeholders, such as consumers and media kept asking after greater amount of local products, which showed that they didn’t understand the existence of this constraint. As a result, they perceived Lidl as reluctant to offer consumers what they wanted. This is one example of misunderstandings that likely contributed negatively to the image of Lidl. Despite the standardized concept, the chain allowed some adjustment in the product category. Some major Finnish brands, mainly category leaders, were included in selection.

Immediately after the entry Lidl started to challenge the retail practices that had prevailed in the Finnish market. Company introduced beer bargain sale to market. This was faced with substantial disapproval from the traditional market actors and industry trustees.

"Now comes this type of distasteful operator [Lidl], who decreases price without tax reduction!"
(Helsingin Sanomat 5.9.2002)

Using beer promotions to lure customers was both against the recommendations of authorities and the prevailing market practice. However, more importantly, the action was not against any law or regulation, as it was ruled later. At the time the brewery industry accused Lidl of "breaking" the practices of operation. Later in the fall the Product Supervisory Authority concluded that Lidl's beer pricing was not in conflict with the good business practice. Lidl was not too concerned about the opinions of other institutional actors. For Lidl this was an intentionally defying competitive measure to test the market. It succeeded in both raising attention amongst consumers and confusing the market. Looking back this was a successful marketing tactic that earned plenty of free media publicity. Moreover, it forced competition and industry to recheck their practices and lower their pricing.

The management personnel of Lidl Finland were provided training in Germany. Accordingly, the training followed the practices of the German parent company, consisting of following the teachings of the Central European business culture. In Finland it introduced new corporate culture, which local actors perceived as alien to Finnish labor industry. It included minimal information sharing with key stakeholders, such as labor union, and even company's own employees. Also strict employee control and monitor policies were characteristic to it. The labor association found it difficult to deal with this type of new operator, which is demonstrated in the following citation:

"The biggest problem was that all managers were trained in Germany. That resulted in weird consequences for us... The culture was bigger problem. This type of strict control of employees"
(Interviewee 1 / 21.1.2011)

The law required that Lidl had to form a trustee system and relationships with the labor union PAM. The differing organizational culture caused some initial problems relating to labor issues. These problems resulted both from Lidl's lacking know-how of Finnish labor practices and labor union PAM's lack of understanding of foreign operating practices that Lidl represented. Lidl emphasized that it will follow strictly the Finnish laws and corrects practices that are found wrong. Lidl and PAM negotiated the differences and gradually started to develop trustee system

within Lidl's Finnish organization. Later Lidl admitted that cooperation with PAM should have been started in the very beginning.

4.1.3 Time of rapid growth and mounting criticism

The first three (2002-2004) years in the market constituted a period of rapid expansion for Lidl. The aim of Lidl was to increase quickly its store network in order to reach economies of scale and make the network viable. In 2002 alone Lidl opened around 30 new stores. This was followed by 55 stores in the following two years time, totaling the store count into 85 by the end of 2004. During the era of strong growth Lidl described itself as a "project organization" (Kauppalehti 27.9.2008), with the objective of setting up its store network quickly. This objective did not lend time or resources in the development of customer service, institutional responses or cooperative processes. Moreover, the recruited employees of Lidl were from various backgrounds, with no particular emphasis on retail experience.

"We appreciated versatile background on education and experience... this allowed fresh perspective and the questioning of prevailing practices" (Interviewee 4 / 21.3.2011)

However, had there been more retail professionals or even single communications professional, it is likely organizational responses to institutional issues would have been solved earlier and better.

"When it comes to the recruitment policy on managers, retail expertise or know-how was not a requirement. This was a problem especially in the beginning" (Interviewee 2 / 21.2.2011)

According to retail experts foreign retailer chains, such as Lidl, introduced new rules and alternative to the Finnish grocery retail market (Helsingin Sanomat 18.1.2003). One representation of these new rules was limited, yet international, selection and heavily discounted private label products. Lidl's entry affected the general price level of food, which decreased as the rival retailers reduced their pricing to match Lidl's (Uusitalo & Rökman 2007). Lidl instigated structural change of the grocery retail trade in Finland (Helsingin Sanomat 14.4.2003). Part of this change was tougher price competition and the considerable increase of private label

offering. According to (Uusitalo & Rökman (2007) Lidl introduced the harmonization of prices into the Finnish grocery retail market, meaning that it became “de facto” market leader in low price segment. With its differing operational culture Lidl also managed to introduce tougher contract arrangements and negotiation practices into the Finnish retail industry (Talouselämä 11.3.2003). Local councils and suppliers did not have experience of international negotiation practices, which was one contributing factor why Lidl was quite successful in, for example, acquiring store locations.

Already earlier Lidl had been instructed by the Ministry of Environment to become more active in solving the bottle recycling system. For long time this matter did not proceed one way or other, because Lidl took no action (Talouselämä 8.1.2003). This was one common response strategy from Lidl: avoid dealing with the matter. This avoidance was a likely result of Lidl’s inability to allocate sufficient resources for the solution of the issue and the low level of willingness to deal with a matter of low priority. Obviously, this worked as long as authorities had no coercive dimension in expediting their demands. The authorities found no way to force Lidl into the same table, which was met with increasing irritation from other parties. The FGTA even admitted that existing recycling system is bureaucratic and in need of improvement. This argument was in favor of Lidl, who strived after its own recycling system.

The first years of operations exposed several deficiencies and shortcomings in Lidl’s operations. These deficiencies kept various local authorities busy. Ministry of environment (bottle recycling), Consumer Agency (scarcity of promotion products), labor union PAM (work contracts), and Finnish Food Safety Authority Evira (product labels) demanded corrective action from Lidl in order to meet the regulations and standards. To the annoyance of the local competition, the Finnish authorities were quite understanding and flexible with Lidl's insufficient cooperation with local practices (Talouselämä 11.3.2003). Various incidents during the first years had earned Lidl troublemaker status in the Finnish grocery retail market.

However, Lidl was not aiming to break the law, but just to stretch the rules allowing enough time to come up with a solution. Media reflected on this:

"Lidl has tested Finnish rules of play in various ways... Even though Lidl tests the boundaries, it does not defy them permanently!" (Talouselämä 17.4.2003)

Competitive measures from local retailers kept continuing. Major rivals, Kesko and SOK, announced of more extensive private label selections. Some rival stores even engaged in price wars, announcing that they will lower their 1000 items to match Lidl's prices. Kesko went even further by introducing its own hard discounter chain Cassa. Research comparing prices of food baskets reveals that during the last year Lidl has increased its prices slightly while hypermarkets had been able to decrease their pricing to meet Lidl's level. This type of information gave confidence to competitors, suggesting that they can handle Lidl's aggressive price competition. Lidl was quick to reduce prices after this being publicized. Some competitors criticized Lidl's model inefficient in Finnish setting and considered Lidl's further price reductions as proof of their claims.

4.1.4 Labor scandals cause a challenge to Lidl's concept

In the beginning of 2004 International labor organization UNI accused the German parent organization of disobeying the employment regulation and breaking the collective labor agreement. Naturally, Finnish stakeholders associated these alleged misconducts from international sources with the local subsidiary. For the most part Lidl Finland still resorted to the abstemious communications policy and as a consequence just ignored many issues. It was annoyed of some claims and rumors but still was not able to clearly communicate and rectify these rumors (Interviewee 4 / 21.3.2011).

The Finnish Retail Employer Association and labor union PAM confirmed that Lidl in Finland is cooperating and obeying the working contracts to the letter. Later in the year, wild rumors regarding Lidl's discriminative employer policies and mistreatment of employees in other countries were raising increasing critique amongst the local employees and in media in Finland. Also, some publicized statements from Lidl Finland's trustees reveal a corporate culture that lacks trust and communication (Talouselämä 8.10.2004). Moreover, ex-employees talked to media about oppressive working atmosphere and strict managerial control. In addition, reports

and comments from PAM give backing to the harsh working culture characterized by tough managerial control.

"Employees were not given that much value" (Interviewee 1 / 21.1.2011)

This type of news information raised concerns about the moral and ethics of Lidl Finland. Unfortunately for Lidl as the year got closer to the end, the accusations and rumors regarding Lidl's labor misconducts intensified. Lidl received the infamous "Big Brother" prize from German human rights associations relating to bad treatment of its employees. Local leftist women (Helsinki association of women workers) declared boycott against Lidl in Finland due to reports of discrimination against women. The management of Lidl Finland downplayed the accusations, dismissing the discrimination charges as disinformation (Helsingin Sanomat 4.11.2004). The stance of Lidl Finland remained unchanged: Lidl made a statement saying it respects its employees and treats them just and equally. The most severe accusations and rumors of personnel disrespect came from abroad. Unfortunately for Lidl Finland, it faced the critique from the allegations that were directed to its parent corporation or other subsidiaries.

"Misconducts from other countries were generalized to Lidl Finland as well" (Interviewee 2 / 21.2.2011)

"Totally weird rumors were going around... originating perhaps from other countries or misconceptions"

(Interviewee 4 / 21.3.2011)

German labor union Verdi allegedly had its own agenda and role to play when acting as an instigator. Inspections were carried out in order to substantiate claims of women discrimination. Authorities and labor unions found no substantiated facts to support the allegations. However, some other more minor violations of labor issues were found.

Even though the personnel mistreatment pressure was certainly a serious concern for the management of Lidl, pressure was mounting on other fronts as well. Finnish National board of

patents and registration tightened control of trade register. This increased pressure for companies, such as Lidl, to be more open about its operations. Prior to this Lidl had made a standard practice of submitting both insufficient and highly overdue reports of its operations to authorities. To add to the problem, consumers complained about Lidl's marketing communication tactics to Consumer Agency authority. Key offers featured in marketing materials, had not been available in stores. Consumer Agency authority accused Lidl of deceptive marketing tactics, and demanded Lidl to change its marketing (Helsingin Sanomat 17.11.2004). Authority concluded that Lidl's marketing was in conflict with the prevailing code of conduct of marketing established by the authority together with Retail Trade Association. Lidl knowingly wanted to challenge this type of market practices that it didn't see serving its best interests.

"According to Tiitola, Lidl Finland CEO, the marketing code of conduct is just a prevailing opinion on how the matter could be dealt with: It does not represent the law" (Helsingin Sanomat 17.11.2004).

Thus, Lidl took the position that the code of conduct is just a recommendation with no power to dictate organizations how to act. By refusing to comply Lidl challenged the prevailing institutional standards and ways of doing things, and tried to modify them to its liking. Local constituents had also noticed this type of development, which came also evident in the media:

"Retail grocery chain Lidl and hardware store Bauhaus are changing the Finnish operating environment in their respective sectors" (Taloussanommat 23.8.2004)

4.1.5. Change of the organizational approach

In the turn of the year 2005 Lidl was facing intense pressure to adjust its organizational behavior. The biggest criticism was targeted to the secretive communications policy and the alleged labor misconducts. Lidl found it ever harder to justify its non-transparent corporate culture in a modern business environment, where especially MNCs are targets of interest of multiple stakeholders. Finally, strong criticism resulted in a new opening from the top management. Lidl's German mother company Schwarz promised to change its "silent" communications policy and be more

open about its operations in the future (Helsingin Sanomat 14.12.2004; Taloussanomat 7.12.2004). Schwartz management admitted that the old policy was not appropriate for the requirements of today's business life.

At the time this change of approach could be seen as reputation management, which was more the result of intense stakeholder pressure than out of sheer corporate goodwill. Lidl had noticed that by being more open and communicating better it can gain understanding and approval for its actions. Preceding this decision Lidl had been under mounting criticism that had also started to affect business performance. Different stakeholder groups, such as employees, labor unions, consumers, media, and authorities had all been playing part in making demands. With some delay this policy change towards greater openness was translated also into the operations of the Finnish subsidiary. Year 2005 saw a substantial number of interview and public appearances from the management. Earlier PAM used to be the body taking care much of the "Lidl communications" in Finland. Now the CEO of Lidl Finland, Antti Tiitola, practically started to create the company a new face altogether (Markkinointi & Mainonta 17.6.2005).

Later stages in 2005 witnessed another considerable change of strategy that originated from Lidl's German parent corporation. It had made decision to start to increase manufacturers' brands to its selection. This development was seen in Finland as well (Talouselämä 18.11.2005). Lidl had been able to construct relatively large store network, which enabled it to negotiate competitive prices from the local suppliers. Stores started to distribute several more major Finnish manufacturer brands. This development was in line with the consumers' expectations, as customers had called for more extensive local product offering. In 2006 "the Finlandization" of Lidl continued as selections got wider with more local influences (Helsingin Sanomat 8.10.2006). Lidl, for example, started to distribute magazines of the Finnish publishing houses. The quick growth phase had been over and from 2005 onwards the number of new store amount was closer to 10 per year. This gave Lidl better opportunity to concentrate in developing its existing operations and stores.

In 2006 Lidl's German headquarters continued its transformation for more open organization. It was announced of hiring its first PR professional to assist in communications (Talouselämä

27.1.2006). This is amazingly late if one considers the size and magnitude of the corporation. This symbolized the level of unpreparedness towards open communications that used to be in place in the company. This move helped Lidl to address the challenge of meeting the information needs of various stakeholders. It also sent a message to subsidiaries, stating to keep investing in more open organizational culture. Lidl had often been attacked based on wrong information. Earlier Lidl avoided publicity, but now instead it aimed to be more proactive in communicating its own perspective, bringing its own views to the discussion.

The criticism towards the company kept going, even though it had toned down bit as a result of the positive changes towards openness and heightened level of customer-orientation. German labor union Verdi continued its campaigning against Lidl's labor practices. Lidl's Tiitola continued the systematic dismissal of Verdi's allegations, branding the statement as purposeful membership campaigning (Helsingin Sanomat 30.6.2006). In retrospect the management of Lidl was open in admitting that some isolated mistakes in HR management were made in Finland too but those were corrected soon. Some Lidl's practices continue to be criticized by customers. For example, the non-existent checkout desks continue to be one of the top targets of consumer criticism (Helsingin Sanomat 8.8.2006).

Lidl Finland had also started to pay more attention to the welfare of its employees. One example of this is when Lidl announced of granting Christmas Eve as a free day for its personnel. Media widely applauded this and lifted it as an example of good leadership and responsible corporate behavior (Markkinointi & Mainonta 15.12.2006). Furthermore, increasing amount of positive comments and observations about Lidl started to appear in the press.

"Lidl has been criticized publicly... Now the situation is different. Lidl has taken criticism into account. The operational practices in the chain have been changed, and now grocery chain is mentioned in the labor union website in totally different context than before" (Helsingin Sanomat 2.12.2006).

"If one would now ask a Finnish consumer about the corporate citizenship of Lidl, there would likely be little blame" (Markkinointi & Mainonta 18.5.2007)

Lidl's reputation had already improved considerably from the early days. Even though changes did not occur overnight, the general impression was that Lidl had learned from the criticism and started to modify its operation policies accordingly. Now Lidl was more open in communications, and signaled willingness to cooperation. During the years of operations Lidl Finland had been able to raise social capital and learn to operate better in the market. Also, the management of Lidl Finland had been able to proof the parent company that they can efficiently manage the concept in the new market. This “earning of trust” gave local management more freedom to adjust the concept and response to local demand.

“Trust need to be earned”

"When experiences and know-how are stronger and confident, the need for internal control decreases" (Interviewee 4 / 21.3.2011)

In 2007 the gradual implementation of Lidl's organizational change continued. Opening of the newest Lidl store in Kamppi gave new proof of the adaptability of the business concept (Talouselämä 11.10.2007). As a response to the demands from the Finnish consumers, the store introduced long cash register counters. This service grievance had been one of the major topics of negative feedback for the company. Adjusting the checkout desks functioned as an example of the flexibility of the store concept: when the local markets so require the standardized concept will bend. Also, the selections had continued to be modified to local tastes by offering more local products and extending the product selection. In addition, Lidl started to distribute Fair Trade products, which could be seen not only extending the selection but also as a sign of more responsible behavior. Negative comments and criticism towards Lidl had also dried up from the direction of the Finnish food industry. On the contrary, comments more often could be on the positive side. Lidl had substantially increased the share of Finnish products in its selection. This had opened up a potentially lucrative and even international distribution channel for the Finnish manufacturers.

4.1.6 Setbacks on the road to change

Even though steps for greater organizational openness and responsibility had been taken, issues relating to information sharing with specific stakeholders continued. Marketing research company AC Nielsen behaved aggressively towards Lidl, when it refused to participate in retailer shopping data research. Lidl did not want to give up sales data for third parties and competitors. Another bust-up followed when Lidl submitted its financial statement to trade register one year too late (Talouselämä 30.1.2008). Even if that was not enough, the statement was inadequate to Finnish regulations. Authorities sent reminders and ultimatums to Lidl. Even though the change for the greater transparency had been under way, these incidents still told of the old and distant corporate culture that was not easy to overcome. Even though, these incidents themselves may not be that severe, they managed to keep a negative tone of voice of the company in the publicity.

A bigger blow to Lidl's responsible aspirations was delivered in 2008 through a new scandal relating to company's suspicious labor practices. German Lidl had been caught spying and monitoring its own employees with cameras (Helsingin Sanomat 27.3.2008; Taloussanommat 26.3.2008). In addition, security personnel had been compiling reports of private discussions of employees. German labor union capitalized on this, urging employees to stand up for Lidl. Management of Lidl apologized for the incident and promised to build new corporate culture and pay more attention to employee well-being in the future. Despite the apology, disclosure raised resentment and affected Lidl's sales considerably. Later Stern publicized reports saying that spying and controlling employees is standard practice amongst German retailers (Taloussanommat 17.4.2008). As if this was not enough in 2009 followed yet another scandal. In Germany Lidl had again been caught disrespecting employee regulations and good practices. Lidl collected information of employees' sick leaves and health matters, which is not allowed for employers. Lidl's earlier assurance of mending its practices suffered yet another imago blow.

Foreign markets produced also news material about questionable behavior from other areas of operation. In Germany Lidl had marketing campaign claiming that Lidl practices fair trade. Based on complaint German Consumer Agency had inspected Lidl suppliers' operations and found that they violate employees' rights (Taloussanommat 26.4.2008). Lidl was forced to cut short the

campaign. Also, incidents from individual misconducts and conflicts from various European subsidiaries reminded people that there is still plenty of work to be done.

What is interesting is that in Finland there had not been any bigger conflicts or scandals, but instead all major scoops had been delivered from other market areas of the multinational corporation. Finnish management has had to explain and defend the local subsidiary against the allegations that originate overseas. However, it seems quite evident that scandals, oversights and breaches of conduct that took place abroad, either in headquarters or other subsidiaries, have affected negatively into the reputation of Lidl Finland. Also, there was no denying that despite the change for greater responsibility and transparency, there still existed misconceptions about the firm and its operations. This just indicates how hard it is to change the initial perceptions that were made. As a whole the organizational change was slow and time-consuming process in Lidl Finland.

These misconceptions were partly based company's early times, with non-existing communications policy in the Finnish market. On the other hand, the scandals from abroad have played part in people attaching negative image and rumors to the Finnish subsidiary as well. Being "an outsider" made Lidl an easy target for criticism. It was relatively easy for local institutional actors to doubt and question an actor that was alien and whose practices differed from the norm. Also, local media and reporters have played part in "building" Lidl's brand in Finland. Lidl has pointed a finger to local stakeholders, such as media, for not properly understanding the foreign businesses and the situation of the market entrant.

"We come from outside when local actors can easily question our operational practices"

"The expertise of the Finnish finance press/journalists was very questionable"

(Interviewee 4 / 21.3.2011)

4.1.7 Developing services and responsible behavior

In 2008, at the same time with overseas scandals, Lidl Finland continued its change towards enhanced customer-orientation and responsible action. After receiving good feedback from the

Kamppi store, Lidl made a decision to renew in future all cash register counters to meet Finnish standards (Helsingin Sanomat 13.5.2008). Another concept development in terms of strategy was the idea of start to establish small shopping centres around its stores. This entailed introducing various supporting services in conjunction with its stores. The idea was to offer better services to consumers and to create synergy where different actors benefit from the customer flow of others.

Retail experts saw it that Lidl Finland made a mistake when it originally tried to profile itself as a replenishment store with small selection (1.7.2008 Taloussanomat). Strategic changes (local products, extensive selection, enhanced transparency, and more responsible behavior) in recent times were considered as positive, potentially leading to better market performance. The era of strong growth of the chain was behind. In recent years the number of new store launches had decreased further, and stood now at around 4-5 new stores per year. Lidl Finland had the opportunity to allocate more resources to the development of operations and services. Lidl's Antti Tiitola described the situation:

"During the era of strong growth Lidl was a project organization, but now we have been able to reinvent ourselves as a service organization that listens customers more closely than before."
(27.9.2008 Kauppalehti)

Other service improvements included, for example, accepting Visa and Mastercard credit cards as means of payment. This enhancement of customer service was part of Lidl's effort to meet customer expectations better, which becomes clear in the management's comment:

"First and foremost this is about customer service and freedom to choose... In addition we continuously introduce more Scandinavian cash register desks in stores, meaning we have listened the wishes of the Finnish consumer" (Kauppalehti 11.6.2009)

The Finnish Lidl management had also developed new policies in personnel management. It started cooperation with Amiedu, a provider of training and personal development services (5.1.2009 Taloussanomat). This showed that Lidl was serious in making investments in its employees and to develop their know-how. This happened in the aftermath of the labor

misconduct scandal surrounding the parent company, which could have been a factor in the creation of the new initiative. In cooperation with Amiedu Lidl launched its own retail-education program, which was tailored to its operational needs. This education program was one example of Lidl's commitment for social responsibility. By introducing this type of renewals Lidl admitted that the development of know-how, expertise and well-being of all its personnel groups was in its best interest.

In 2009 Lidl Finland announced changes in its marketing strategy. Lidl had decided that in the future it will emphasize its own brands more in marketing, and also invest more in building the quality image of brands (Helsingin Sanomat 4.3.2009). Lidl is perceived as cheap but poor quality. The aim of renewed marketing communications was also to disperse negative prejudices that dealt with German brand and the quality of food. Lidl started cooperation with advertising agency. Campaign received positive feedback both from consumers and media.

Several of the new firm initiatives were related with the improvement of the social responsibility aspect of the organization. Lidl, for example, launched an employment program for youth: Lidl was to hire 500 youth for the summer. Media applauded this and considered it a tangible evidence of the responsible behavior of companies (Kauppalehti 8.2.2010). Lidl had also distinguished itself in the area of ecological trading. Lidl had been using for some time a MSC-certificate that guaranteed fish was caught in an ecological manner. WWF saw that in the Finnish retail trade Lidl Finland was one of the few actors with best practices in this area. In 2010 Lidl becomes the partner of the Finnish Skiing Association and starts to sponsor the young ski-jumpers. By supporting local sports, Lidl is making an investment to the local community.

From the beginning of 2011 Lidl agreed to become a member of the Finnish Grocery Trade Association (FGTA) (Taloussanommat 13.10.2010). The membership became possible as competitor information was not freely available anymore to other members. Through membership Lidl is able to improve cooperation with the industry, secure trusteeship and influence its own interests and trading conditions.

"FGTA is a place where the trade lobbying of the retail business is most central. We have specific interests" (Interviewee 4 / 21.3.2011)

Belonging to this type of trade association is not standard practice in the inter-organizational store network of the MNC. It is up to the local management whether they see it necessary and appropriate. In 2010 the general perception amongst many institutional actors was that Lidl Finland did not differ in any substantial way, except being a foreign subsidiary, from the Finnish grocery retailers.

4.2 Analysis of the case within the theoretical setting of the study

This chapter focuses to analyze the change process. The idea is to build a coherent picture of the process, describe how the process unfolded, and identify issues that were central in the analysis of the process. Key elements that played a role in determining the change process are presented. This case is about analyzing the process of change of the firm's CSR strategy in responding to institutional pressures. As discussed in the research design, the change here means a distinct and clearly identifiable transition in the manner of how the case company conducts its institutional approach, namely its CSR strategy. The case narrative in the previous chapter functions as a detailed description of the organizational events of the case company, providing the identification of causal links behind the change phenomenon. This chapter is divided into two sections: the first one deals with the actual analysis process, and the second one analyses the situation of Lidl Finland in the process, summing up the key elements of the change process.

4.2.1 Analyzing the longitudinal change process

Due to the richness of the case data and complexity of causation, building an explanation (writing the narrative) was not a straightforward process. Producing the narrative entailed constant reiteration with all the case data and perceiving the temporal links of the events. The process of change in this case was a complex and gradual process, which took several years to develop. There is no one single point in time or one specific factor that produced the change. Instead, there were various factors that contributed to the development of the phenomenon. These factors

consisted of various events, decisions, activities, and interaction between the relevant parties, namely Lidl Finland, its parent corporation, and various stakeholders. Producing the narrative included detecting patterns among these events in the process data. The pattern manifested itself in the form of linear sequence of organizational phases that occurred over time. These phases formed the structure of the narrative.

Adding to the challenge of interpreting the meaning and significance of each “event” was the fact that there are often a number of different levels of events (Langley 1999). In this study an event included things, such as firm’s operational choice, governmental policy change, unofficial conversation, good sales period, a stakeholder comment or response, a meeting, a press scoop, and an action taken by parent MNC. Some of these factors were inter-connected and part of bigger entity, whereas some just were left as individual incidents, representing more the output of change than contribution to the change. All these events were highly bound to the prevailing context at the time. It was clear that the causation behind the change process certainly was neither linear nor singular (Pettigrew (1990).

In temporal terms, the period of change was not that self-evident. There was, for example, a consideration of when an event is significant and relevant enough for it to be determined as a trigger for change? Alternatively, what was a large enough concentration of individual events for them to be able to form a change in the policy? Langley (1999) states that the temporal embeddedness of process data varies in terms of precision, duration, and relevance. This became evident in the data analysis: every now and then certain events or developments were described only superficially or remained absent of the temporal news article chain. Correspondingly, sometimes the relevance of some specific events to the change process was ambiguous. This introduced difficulty to the analysis, as the causal links were not always that distinct.

In terms of qualitative research, Miles & Huberman (1994: 10) listed several key benefits that were central in analyzing the change phenomenon. These include ability to deeply understand the context, gaining insight on complexities and non-obvious issues, and capitalizing on meanings from people’s experiences. Having multiple sources in this type of research was essential in order to be able to build solid position of the research phenomenon. Different sources were needed to

cater for all the perspectives and to tackle the potential source bias. The archive data provided ample data, opinions and feelings from the actual temporal period when things took place. This allowed getting close to case constructs and contributed to the understanding of the case context. This was essential in identifying key events, decision, and causal mechanisms affecting the process of change.

The interviews provided perspective to people's experiences, allowed hindsight, and enabled productive interaction with the case company itself. Interview data was essential for the complete understanding of the phenomenon. The archive data was filtered through the eyes of third party journalists, and in some occasions the view on the events was, if not contradictory, different to say the least. This is not that peculiar when one remembers that Lidl Finland questioned several times the expertise of the Finnish business press.

4.2.2 The main factors contributing the change process of CSR strategy

The initial approach of Lidl Finland towards CSR strategy was far from textbook exemplary. Strict business operating concept did not welcome stakeholder demands and compromise well. Lack of operating resources meant that all the effort was directed to the growth of the retail chain. Lidl Finland suffered from liabilities of foreignness, which was highlighted in the lacking know-how of conducting itself in the new market. On top of these, alien and abstinent Central-European corporate culture clashed with Scandinavian openness. Also, the Finnish consumers had no prior experience of the hard discounter format, which likely added to the alien perception of the firm. Lidl Finland competed solely on price and it never even tried to "ride the wave" of responsibility as many others do. It often tried to go where the fence was the lowest and negotiate concessions into institutional requirements. As a whole, due to the inadequate institutional response and the institutional entrepreneurship Lidl Finland was branded as the irresponsible troublemaker in the market.

The starting point of the change process for greater conformity and heightened corporate responsibility can be dated around the turn of 2005. Prior to this Lidl corporation faced increasingly heavy pressure for greater openness and better treatment of its employees. The

German management had to react in order to save the situation and tackle declining sales. Corporate admitted that it needs to communicate better, not only to save the situation but also to prevent this type of negative publicity happening again in the future. One could say that the first step on the long road towards responsible behavior was taken more out of necessity than from strategic perspective. Nevertheless, new guidelines came down to subsidiaries, such as Lidl Finland. Soon the CEO of Lidl Finland, Antti Tiitola, was making public appearances and telling people about the organization, which was rather unheard of before. Initial indications of the greater conformity and heightened corporate responsibility were detectable rather quickly to stakeholders. Lidl had a history of exceptionally distant and abstinent actor, which meant that even small improvements for greater openness made it to the news.

Even though the mounting stakeholder pressure was the initial factor facilitating the organizational change, there were various complexities and other issues involved the change process. These complexities include amongst others changes in the business strategy, different phases of establishing presence in the new market, increased attention for CSR action amongst stakeholders, alterations in the operating concept, and gaining learnings relating to the local market practices. All these elements were applicable to Lidl Finland and undoubtedly had a role to play in the change of CSR strategy. These issues are elaborated a bit more in the following paragraph.

The first few years saw Lidl Finland embark on a rapid growth of the store network. As this phase was over, firm had more time and resources to develop operations better, not just to set them up. This certainly was a factor, yet its influence to the change is relatively hard to estimate. This was complemented with gradual increase of independency from the standardized concept, which enabled the local management better meet the local preferences and institutional demands. The German parent Lidl also changed business strategy, which entailed higher emphasis on local manufacturer brands. This suited well Lidl Finland as one criticism towards the firm had been its “unwillingness” to provide local brands to consumers. The pressure towards greater CSR action from multiple stakeholders has been an increasing trend during the last decade. As a result, Lidl Finland faced stronger demands for responsible action during the years of operations. On top of

all these Lidl Finland's market presence had enabled it to gain social capital, which allowed it to operate better in accordance with local practices in the Finnish institutional environment.

None of these mentioned elements can explain the change process alone but they all functioned as factors contributing to the change. Change involves multiple causes and is explained more by loops among various elements than direct lines (Pettigrew 1990). Contiguous interaction and interconnected loops among these elements over time realized the change process. Even though the identified change of CSR strategy of Lidl Finland began long time ago, one could say that it still keeps continuing even today. Lidl Finland basically started from the very bottom, which translates into huge amount of work ahead. Lidl Finland's whole operating procedure was designed to serve the efficiency of the imported business concept. Strict inter-organizational control and path dependencies formed a serious hindrance to the change process towards greater responsibility. Thus, implementing change and altering the concept cannot be achieved overnight but instead is rather slow and gradual process. Undoubtedly, there is still room for improvement for coming years.

In terms of the new CSR strategy, Lidl has landed closer to the "Compromise" alternative (Oliver 1991). It has not turned to blind obedience, but its responses are far more towards "Conformity" than "Defiance" nowadays. Its behavior has become much more socially responsible, which can be seen, for example, in increased attention of employee well-being, more open communications, enhanced customer-orientation, and more sustainable production processes. Today, Lidl even communicates CSR aspects in its marketing campaigns.

5 DISCUSSION

Here the results of the study are discussed. The results are reflected in the context of previous research, and relevant comparisons are done. It is pondered how findings relate and contribute to the existing theoretical knowledge. It is also discussed how the implications of this research can be translated into more general arena. The discussion chapter is divided into specific theme areas, which will see the discussion of relating concepts to the theme. As an outcome of the discussion some managerial propositions are suggested.

5.1 The role of parent MNC and the imported operating concept

Essential aspect of this case is the international dimension, which play significant role in understanding the institutional approaches of the case company, Lidl Finland, in this study. Lidl had identified a clear market gap in the Finnish retail market for hard-discounter store format, which it intended to capitalize with price leadership strategy. As an entry mode Lidl chose to use foreign direct investment, which is one of the primary entry methods for MNCs (Buckley & Casson 1998). This meant establishing the store network from scratch. As a consequence building large enough network took several years time and drained almost all the operational resources.

Lidl Finland had an intense relationship with its German parent organization, which guided, controlled and supported the process of setting up the business operations in the host country. Thus, in the light of the case evidence this study concurs with the view from previous literature stating that the management, integration, and exchange of resources between the various MNC units form a critical process for multinationals (Kostova & Roth 2003). Lidl entered the Finnish market with its standardized store concept, which was driven from the headquarters. This resulted in accountability and legitimacy duties towards its parent corporation in the home-environment, which is only natural as presented earlier by Rosenzweig & Singh (1991). In practice, the accountability and legitimacy duties were witnessed in the detailed implementation of the business concept and accurate following of the decisions. On the other hand, with highly limited

resources Lidl Finland had really no other alternative than to resort to the readily available concept.

Through the implementation of the strict business concept, the parent MNC in a sense controlled also the level of the CSR approach of Lidl Finland. The findings of the study highlight the centrality of the strict operating concept and suggest that it had a significant role to play in the poor level of responsibility in the firm. Lidl Finland had no sufficient resources to respond to the pressures surfacing from the local institutional environment. This finding supports the view of Husted & Allen (2006), who argue that it is common practice for MNCs to use strategies that leave local subsidiaries unable to respond properly to CSR issues. In Lidl Finland's case this was especially true in the early years of market entry. Later when Lidl Finland gained more organizational freedom and opportunity to develop the concept more locally, also a more responsible CSR approach became available.

One can only speculate with the idea that had Lidl chosen other entry strategy, for example acquisition, there would probably have been more resources to allocate for stakeholder management and prompt CSR response. One can also discuss whether the parent MNC should have allocated more initial resources for the entry process to begin with. Greater resources would likely have enabled better stakeholder communications and institutional response. This would have resulted in better reputation and enhanced stakeholder relationships, which would have further facilitated Lidl's operations in the Finnish institutional environment. The rationale here is that higher initial resources could well become cheaper in the long run. Trying to change the reputation and enhance damaged relationships afterwards can be costly, not to mention difficult. This leads to think that it makes less sense for MNCs to enter the market with insufficient resources.

Proposition 1:

It seems that the local MNC management is not appointed sufficient resources to respond adequately to the basic institutional demands. This is unfortunate for MNC subsidiaries, as proper resources would enable better relations with local constituents and facilitate the process of establishing operations in the host country.

5.2 Institutional pressures and strategic responses

When Lidl entered the Finnish grocery retail market, it became under pressure to conform to presented demands and modify its processes according to what is appropriate and responsible as defined by the local constituents, namely the Finnish society. As Freeman (1984: 24-26) had previously aligned, multiple stakeholders started to present various demands to the subsidiary and expected responsible behavior and conformity to local policies. In Lidl's case the most prominent institutional demands included pressure to conform to industry regulation, demands for transparency and open communications, demands for improved customer-orientation, claims for responsible corporate behavior, and demands for honoring employees' rights.

MNCs are under pressure to adjust their operations in the host-environment according to the local standards, but at the same time they are driven by their self-interests (Kostova & Zaheer 1999; Lawrence 1999). For Lidl Finland this meant that it was in "the crossfire" of implementing the concept of its parent organization and conforming to the demands of the local institutional actors. The obvious priority of the subsidiary was in meeting the demands of its controlling parent organization. Despite the fact that there are several CSR strategy alternatives (Oliver 1991) available, the priority towards parent organization determined the resource allocation and pretty far automatically dictated Lidl Finland's CSR strategy. This way Lidl Finland "chose" a CSR strategy that was more on the defiance and less on the conformity and responsibility.

This case study is quite unique in the sense that in many occasions the case company, Lidl Finland, conducted itself in a way that was contradictory with the recommendations surfacing from the academic literature relating to CSR and institutional theory. The response of Lidl Finland was not in accordance with the teachings of the traditional institutional theory that stress the importance of compliance and the need to acknowledge the local regulations, cultural value systems, and other institutional forces (Meyer & Rowan 1977; DiMaggio & Powell 1983). In Germany stakeholders had got used to this type of abstinent business policy of Lidl. However, in Finland or Scandinavia the culture was different as greater openness and higher responsibility was expected. This is normal according to Campbell (2009), who state that valuations on what is proper and responsible action can vary between markets. Thus, by introducing the market with

the strict German originated concept with lacking communications, Lidl failed to appreciate the vital institutional forces in the environment stressed by Meyer & Rowan (1977) and DiMaggio & Powell (1983). As a result Lidl's management culture collided with Finnish or Scandinavian way of doing things. Thus, to escalate the institutional pressures even worse, the collision of these different cultures led to misunderstandings and made cooperation difficult between actors.

Similarly, Suchman (1995) and Kostova & Zaheer (1999) concluded that conformity to institutional demands and responsible behavior are central considerations for MNC subsidiary in order to achieve legitimacy to exist in the local market. Also, it is clear that corporations are facing tougher expectations and demands of social responsibility practices, which is why firms have to acknowledge the ethical considerations in the operations (Smith 2003; Meyer 2004). With its institutional entrepreneurship antics, defiant approach towards the local institutional environment, the non-communications policy, and the accusations relating to labor misconducts, Lidl Finland seemed everything but responsible or conforming to local demands. Instead, its conduct was translated as irresponsible behavior, leaving stakeholders in growing numbers dissatisfied.

Previous research studies have emphasized the strategic promise of the CSR concept (Husted & Allen 2006; McWilliams et al. (2006). According to the case evidence it is clear that Lidl Finland's CSR strategy included no strategic elements. Especially in the initial "Defiance" strategy Lidl Finland had no attempt of associating public good with its business strategy, which, according to Baron (2001) is characteristic to strategic CSR. Overall, due to previously mentioned limitations, the initial CSR management of Lidl Finland was rather nonexistent, and at best it was subjected to meeting institutional pressures. This is consistent with the conclusion of Husted & Allen (2006), who state that amongst MNCs the prevailing CSR practice is to react to institutional demands.

Proposition 2:

MNCs struggle to find an appropriate balance between implementing the business concept of their parent organizations and responding to the demands of the local institutional actors.

Proposition 3:

Instead of treating its CSR approach more as a strategic tool, MNC subsidiary often seems to make ad-hoc calls on responsible behavior based on emerging institutional demands.

5.3 Defying the demands with institutional entrepreneurship

As explained earlier, the challenge for Lidl was how could it maintain its decision-making sovereignty and keep its concept on course, and still offer enough cooperation in order to create sufficient operational relationships with the local institutional actors. With lacking resources and know-how for appropriate CSR response Lidl Finland ended up challenging and defying most of the institutional demands. Instead of following the traditional institutional theory the defiant approach of Lidl Finland was more in accordance with the resource dependence perspective, which emphasizes the virtues of noncompliance and confrontation (Pfeffer 1982: 197-198). This led to the initial CSR strategy response of “Defiance”, which was complemented with some “Avoidance” and “Manipulation” strategies (Oliver 1991). Lidl pretty systematically defied stakeholder demands that required some type of corrective action from its part. This defying took place in various forms of testing, questioning, challenging and dismissing them. Lidl’s defiance was characterized by institutional entrepreneurship, which included the intentional challenging of the prevailing practices and an attempt to create new institutions that suit better its personal interests (DiMaggio 1988, sit. Greenwood 2006).

The institutional entrepreneurship approach makes sense as total conformity is rarely appealing to any entity as it requires organization to make numerous compromises and relinquish autonomy (Oliver 1991). As a consequence Lidl Finland often tried to modify and transform prevailing market practices. This is consistent with Lawrence (1999), who states that in new environment an actor that has disadvantageous position to existing practices seeks to alter and modify those in its favor. Case study evidence indicates that Lidl Finland had some success in modifying and transforming the local operational environment according to its liking. More importantly, this approach often succeeded in buying more time, confusing the local actors, and questioning the local practices. On the other hand, defying local policies contributed to Lidl’s reputation of being difficult and irresponsible. The findings indicate that institutional entrepreneurship was only

partly a conscious strategic choice From Lidl Finland's part. Challenging and defying the practices came as given due to lack of resources and strict business concept.

Lidl had stated early on that it will follow the Finnish law in every aspect. This held mostly true, and violations were born more out of lacking understanding towards the local practices than out of malice. However, in Lidl's case it became clear that sometimes there was a fine line between breaking the regulations or guidelines and trying to influence in changing them. Sometimes responses to demands of authorities were so late, they might as well have been regarded as breaking the law. When the matter was important enough, Lidl sought to correct serious shortcomings without further delay. For example, labor obscurities were negotiated with PAM and store appearance issues were corrected according to guidelines from authorities.

Proposition 4:

A market entrant engages in institutional entrepreneurship in order to find out how much leeway there is in influencing and transforming the local practices and norms. However, defiant institutional approach is likely to damage stakeholder relations.

5.4 The antecedents of the change of CSR strategy

Due to Lidl Finland's noncompliance the institutional pressures had only intensified. In other words, now the institutional environment had changed for worse for Lidl Finland. This supports the view of Campbell (2007) who argues that institutional environment and its pressures towards responsibility can change and develop considerably. As a result stakeholders started to question the legitimacy of Lidl Finland, because it was not meeting the legitimacy requirements and the perception of a responsible actor. The negative disclosures only led to the deterioration of stakeholder relations and to the increase of actors who joined the criticism. Lidl Finland's actions were not clearly meeting the instrumental stakeholder theory (Jones 1995), which stresses the importance of the satisfaction of stakeholders for the long-term success of the business. The stakeholder reaction towards Lidl Finland seems only normal according to Fombrun and Shanley (1990), who concluded that reputations are perceived based on institutional indications signaling conformity to social norms. By expressing their discontentment, various stakeholders penalized

Lidl Finland, which can happen when the activities and practices of a firm are not perceived as socially responsible (Smith 2003).

Lidl Finland's institutional responses were characterized by necessity and duress. If no law was broken and minimum standards met, Lidl Finland seemed not too bothered to do more. In terms of being socially responsible, this type of behavior did not qualify far. An approach with higher conformity would have been perceived more responsible behavior, contributing to the legitimacy of the firm. Merz et al. (2010) conclude that the role and significance of CSR element in the new market entry has been unknown so far. The findings of this study suggest that the role of CSR in the market entry is something that firms cannot disregard, quite the opposite. Lidl Finland differentiated itself from other retailers by defying institutional pressures and failing to deliver on CSR, which led to perception of irresponsibility. It is safe to assume that this was not McWilliams et al.'s (2006) idea, when they argued that CSR has the potential to form an important element of firm's differentiation strategy.

As a result of the mounting stakeholder pressure the parent organization in Germany made a conscious change of policy for more open and responsible organizational culture. For Lidl Finland this basically meant that it had taken the initial step in re-configuring its CSR strategy (Oliver 1991). Concessions to previous policies shifted the strategic approach gradually closer to conformity. However, the case findings indicate that the change didn't happen at once, but instead was a complex, gradual, and non-linear process, which involved multiple factors and developed during several years. This is consistent with Pettigrew's (1990) view on longitudinal change processes, which are affected by multiple and interconnected factors.

Increasing stakeholder interest in CSR was one of main factors driving Lidl Finland's change for greater responsibility. This is consistent with McWilliams & Siegel (2001), who argue that firms tend to respond positively to heightened interest, allocating more attention and resources to CSR activities. Despite the long change process of Lidl Finland, several stakeholders noticed quite soon the improved firm attitude, enhanced information sharing, and the concrete adjustments in the store level that were made into the operating concept. As a result, Lidl Finland received good feedback, which further encouraged the change to be realized. As the market adaptation increased

and the change process of the CSR strategy of Lidl Finland progressed, the firm operations started gradually get more responsible features. The case findings reveal that in later years Lidl Finland started to comprehend the promise that is involved in the CSR behavior.

Proposition 5:

Findings suggest that should the market entrant not be able to provide good enough response to institutional pressures (that stakeholders perceive central), there is a real danger of the escalation of the institutional pressures, causing serious damage to the market entry process.

Proposition 6:

The role of the CSR element in the new market entry seems to be an essential consideration as responsible behavior is directly linked with the perceived legitimacy of the organization.

Proposition 7:

Even though the initial results of the change of the CSR strategy may be visible soon, the actual change process is likely to take long time and requires consistent effort.

5.5 MNC reputation and corporate communications

Findings suggest that communications, or rather the lack of it, was absolutely central factor in affecting the low perception of the CSR of Lidl Finland. The lack of communications did not only led to several misconceptions about the firm but also contributed to poor stakeholder relations and to the irresponsible reputation of the firm. The media were “educating” consumers and other stakeholders about the organization. Many misconceptions and rumors could have been dismissed or at least moderated with good communications policy.

Lidl Finland was a victim of the bad reputation of its international parent and subsidiary organization. The reputation and the brand of the MNC organization travel, and more importantly, they are subjected to the perception of the stakeholders in the new markets. This is central issue for this study, as the lacking reputation of the parent corporations and various infamous rumors from abroad had a substantial impact on the deteriorating reputation of Lidl

Finland. This is in accordance with the findings of Kostova & Zaheer (1999), who concluded that the inter-organizational legitimacies are interrelated, meaning that the legitimacy of the MNC affects the legitimacy of the subunit, and vice versa. Thus, the negative publicity on parent MNC automatically created the perception that Lidl Finland was irresponsible actor, adding weight to the CSR challenge. Obviously, this was an unfortunate development for Lidl Finland, as literature evidence suggests that favorable corporate reputation can earn an organization competitive advantage (Fombrun & Shanley 1990). There is no denying that the poor reputation associated with Lidl Finland mostly originated from abroad. However, proper corporate communications could have made all the difference in rectifying the infamous rumors and setting things straight.

With all the case evidence it is easy to agree with Bernstein (1984), who emphasized the importance of appropriate company communications. His view was that company has a duty to communicate as impressions and perceptions will be made anyway. Lidl Finland represents a fitting example of a situation where non-communication turns into negative communication. By not communicating the firm was perceived as arrogant and irresponsible. In this day and age is highly unusual that MNC subsidiary chooses non-communications, especially when there is increased interest towards CSR issues from multiple stakeholders (Smith 2003). Moreover, appropriate communications would have been particularly relevant for MNCs such as Lidl, when their different practices and operational policies often result in the firm becoming the target of prejudice and stereotype (Kostova et al. 2008). Here the word “choose” is used intentionally. Despite the facts that the resources of a firm are limited and the existence of liabilities of foreignness (LOF), it always chooses the functions it invests the available resources. It is hard to imagine more urgent target for Lidl Finland than corporate communications.

Ignoring communications certainly did not work for Lidl Finland, and it is hard to imagine it would work in other organizational contexts either. By ignoring the cultural differences in communications, Lidl Finland made the entry process very difficult for itself. It did not succeed in achieving proper legitimacy and stakeholder approval. Big part of the change of CSR strategy was more open communications policy. Lidl noticed that not commenting issues was too risky: in the lack of proper information the market and stakeholders make assumptions and rumors may

become facts in people's minds. It is better to get across organization's own perspective and that way proactively defend the company from outside allegations.

Proposition 8:

Infamous reputation and damaging rumors that are generated in other parts of the organization can seriously damage the reputation of the MNC subsidiary. This can be countered with proactive corporate communications.

Proposition 9:

Even though responsible corporate communications forms an important part of CSR behavior, it is strange why often firms allocate insufficient resources in communicating the organizational objectives and establishing goodwill amongst key stakeholders. Good communications and cooperative attitude is likely to facilitate the entry process.

5.6 The willingness and the ability to respond pressures

It can be discussed to what degree the change process of CSR strategy of Lidl Finland was a strategic decision for heightened CSR, and to what degree it was a necessity for survival. It can be assumed that no firm knowingly chooses to be an irresponsible actor, as previous literature states various benefits for responsible behavior, including amongst others legitimacy (Suchman 1995), strategic opportunity (Baron 2001), and enhanced reputation (Fombrun & Shanley 1990). Did Lidl Finland actually choose to become more conscious in terms of CSR or was this just a natural course of development of the new market entrant, who starts with limited resources? After the resource-intensive establishment of the business (growth of the store network), a market entrant (Lidl Finland) has the opportunity to concentrate in management and service development.

Oliver (1991) suggested that the central rationale behind the selected institutional approach is based on the willingness and ability of the organization to conform to the environment. Based on this case study evidence these variables seem to be most central to the understanding the CSR strategy change of Lidl Finland. Lidl's very limited resources, rapid expansion strategy and

lacking know-how all contributed to the fact that the company's initial ability of making an adequate response to institutional pressures was relatively poor. Instead of making sure the operations conform to detailed stakeholder demands, the focus of interest was in the growth of the store network and in the management of the business concept. In addition, the state of mind of Lidl's management was to import the business concept as such with minimal local adaptation. The attempts to interfere from local institutional actors were unwelcome. Thus, neither the willingness to start doing concessions was at high level.

Unfortunately for Lidl Finland, it suffered from serious liabilities of foreignness (LOF) effects (Buckley & Casson 1976 [1991]) that were not only negatively contributing to the ability to respond but also impeding the overall operations of the subsidiary. Its inexperienced management personnel, inflexible operating concept, ignorance of local regulation, contradictory corporate culture, nonexistent communications strategy, and lacking knowhow of labor issues were some of the central problem sources causing LOF.

As the years passed both the willingness and the ability of making an appropriate CSR response had increased considerably in Lidl Finland. In terms of willingness, Lidl Finland had learned that it needs to communicate better and show more initiative for cooperation. Damaging rumors and increased stakeholder pressure were seriously starting to hamper the business. From the late 2005 onwards Lidl started to be more open in its communications and pay more attention to labor relations and its public image. The willingness to conform to local demands and cooperate started to increase gradually. When it comes to ability to respond, at least part of the resources that used to be dictated by the strict concept and the growth process were later available for reallocation into the development of operations and services. Also operational independence from the concept control and increased social capital contributed to the enhanced ability to respond to institutional pressures.

During the years of operation in the market the external pressures and local cultural values transformed Lidl Finland's organization and affected its operations. This is consistent with the previous literature on institutional theory (Meyer & Rowan 1977; DiMaggio & Powell 1983). The gradual immersion in the local institutional context had in a sense distinguished Lidl Finland

from the original operating concept. As a result upholding the strict operational concept was neither sensible nor really possible anymore. Also, the local management of Lidl had been able to prove itself to parent organization, in terms of reliability and successful implementation of the concept and the ability to run the business. According to Rottig (2007) this qualifies as inter-organizational social capital, where firm manages to create valuable resources and capabilities through enhancement of social relationships. As a result the control leash from the parent organization was not that tight and subsidiary had more power to develop the local concept and to respond to local demands.

The management of Lidl Finland was also more experienced now and had learned how to act more openly and conduct responsibly in the host environment with local actors. Thus, the organization had gained both inter-organizational and external social capital (Rottig 2007), which helped it in overcoming the liabilities of foreignness. This is consistent with Kostova & Roth (2003) who argue that in order for MNC subsidiary to be able to facilitate activities, it is important for foreign subunits of MNCs, such as Lidl Finland, to build social capital. During the past years the local management had had time to learn, even though through the hard way, how to conduct business in this specific institutional environment, how to form productive relationships with associates, and how to generally interact better with the various stakeholders.

Proposition 10:

It is likely that a MNC subsidiary becomes by default more responsible actor after years of presence in the market after overcoming the LOF effects and gaining social capital to support the operations.

Proposition 11:

The organizational willingness and ability to respond are rather central elements in determining the CSR strategy of an organization. When there is a change relating to these variables, the CSR strategy is likely to be affected accordingly.

6 CONCLUSION

This study contributes to a discussion that relates to an increasingly important organizational dimension, namely CSR. In recent times the stakeholder interest towards CSR has been continuously increasing. It plays significant role when multiple stakeholders are making their brand perceptions and purchase decisions. In terms of new market entry, the CSR component has been rather unknown (Merz et al. 2010). This case study addresses this research gap by examining the CSR strategy, and particularly the change of CSR strategy, in the context of market entry. Thus, the purpose of the study is to examine how this change of CSR strategy takes place upon market entry and what factors affect it.

This study examined the change process of CSR strategy through a unique single case study. Multinational grocery retailer Lidl entered the Finnish market by establishing its subsidiary (Lidl Finland) store network in the country. In terms of CSR, Lidl Finland makes an intriguing case because it has conducted significant reformation in its approach towards CSR strategy. The initial approach of unprecedented defiance towards Finnish institutional environment was gradually replaced by a notable change of strategy towards greater conformity and mutual cooperation. Longitudinal process data was studied in order to determine how the change of firm's CSR strategy takes place upon market entry and how it is affected by institutional pressures. Media archives and interviews provided the case data that was used in mapping out key events and rationale behind the change. Qualitative content analysis and explanation building technique were used in determining causalities and rationale that produced the change of strategy.

The findings reveal that the initial approach of defiance and "irresponsibility" was not really based on intentional decision or irresponsible behavior but instead had much more to do with strict business concept, lacking operational resources, and substantial cultural differences. Lidl Finland would have been keen to meet the institutional pressures and legitimacy requirements of the local actors, but at the time of the entry neither the know-how nor the resources for sufficient response were up to the task. Due to the inadequate and defiant institutional response Lidl

Finland was perceived as irresponsible troublemaker, which resulted in intensified stakeholder demands.

The mounting stakeholder pressure was the driving force that led to the beginning of the change of the CSR strategy. In addition, there were various complexities and other issues that contributed and facilitated to the change process. These included changes in the corporate business strategy, different phases of market entry, increased attention for CSR action amongst stakeholders, local adjustments in the operating concept, and gaining both external and inter-organizational social capital relating to operational management. All these elements played a role in the change of CSR strategy Of Lidl Finland, as interconnected loops among these elements over time realized the change process. Based on discussion on the results, several managerial propositions relating to the management and change of CSR strategy in the context of new market entry are suggested.

A MNC market entrant is faced with abundance of institutional pressures that not only influence its behavior but also end up modifying the entire organization. The results of this study highlight the necessity of responsible response to institutional pressures and stakeholder demands. This response forms the basis on which the legitimacy and CSR perceptions of the market entrant are made. As responsible behavior is directly linked to achieving legitimacy, no firm can afford to disregard it. Thus, this study concludes that the CSR element plays an important consideration in the new market entry process. Should organization not manage sufficient response, there is a danger that the entry process can suffer substantially. This happened to Lidl Finland. In this type of circumstances, changing the CSR strategy is certainly possible and advisable. However, the findings of the study show that changing the CSR strategy, and perhaps more importantly the CSR perception and corporate reputation, is arduous and slow process.

The quality considerations and limitations of this study were already addressed in greater detail in chapter 3.5, as issues relating to validity and reliability were reviewed. In conclusion, it is clear that this type of single-case study brings along several limitations that require acknowledging. The results of the study are based on a single case in a particular industry setting and environmental context. Thus, caution should be emphasized when making larger generalizations. Another limitation deals with the complexity of this type of study. A change process is often

complex and multi-lateral phenomenon that involves multiple interconnected variables (Pettigrew 1990). Even though the case data was subjected to throughout analysis, there is a possibility that complex causalities were not interpreted in an entirely correct way.

In terms of future research, it would be interesting to see studies exploring the role of CSR in different institutional context. Therefore, it is recommended for fellow researchers to try to identify cases in different market contexts, which have undergone a change in their respective CSR strategies. This would allow future research to gain learnings and comparisons from cases and environments that transcend both national and cultural boundaries. Examination on those cases would provide more comprehensive picture of the variables that govern CSR behavior and issues that relate to its change process. In order to achieve greater external validity, study with multiple-case design could be undertaken. Simultaneous examination on several cases would allow case comparisons and could better reveal universal and context-free patterns on CSR management.

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INTERVIEWS

interviewee 1, labor union manager, PAM (labor union), 21.1.2011

interviewee 2, trade association manager, The Federation of Finnish Commerce, 21.2.2011

interviewee 3, trade association manager, The Finnish Grocery Trade Association, 21.2.2011

interviewee 4, retail manager, Lidl Finland, 21.3.2011

APPENDICES

1. Tabular spreadsheet of key events related to Lidl's market entry to the Finnish grocery retail market and its operational strategies on the market

Date	Event
2000	Lidl recruitment ads found, negotiations with councils and cities regarding the land properties and store sites. Operators in the Finnish retail industry surprised
2000-2002	Lidl does not communicate or inform any stakeholder party about its plans, objectives and strategies concerning the entrance to Finnish market. Especially media criticises this. Today Finnish consumer and all stakeholders expect more open and responsible approach from companies. The "not comment" policy originates from Germany where organizations traditionally keep to themselves. Lidl in Germany is said to divide its operations to smaller pieces, which allows it not to reveal any additional information
1.6.2001	Lidl joined the Retail Trade Employer Association
20.7.2001	Lidl is not ready to compromise about anything relating to the building of its stores. The store concept must be implemented exactly according to predetermined standards. Council representatives report cooperation challenges with Lidl's store concept.
19.9.2001	Professor of retail management, Niilo Home, says that Finnish retail trade left a gate open for Lidl; there was no operator with limited selection and discounted prices
4.10.2001	S-Group is taking counter-action against Lidl. Group is considering to launch new store type, Sentti, that matches Lidl's hard discounter. Manager Arto Hiltunen says that time might be right for this new retail format
20.3.2002	Lidl refuses to join the general bottle recycling system. Instead, it applied permission to set up its own recycling system
17.5.2002	Finnish building authorities have demanded changes into the building designs that have come from Germany
24.8.2002	Local authorities and trade union are not pleased with the level of cooperation by Lidl relating to the creation of bottle recycling system. Ministry of environment has demanded Lidl to participate in negotiations of joint operation system.
29.8.2002	Lidl opens first stores in Finland
30.8.2002	Lidl is a member in Retail Trade Employer Association and cooperates with PAM in trustee matters. German chain seems to accept the operational policies of Nordic labour contracts
30.8.2002	Relating to the dispute of bottle recycling system, Lidl gave concession in the form that it promised to pay the return fee for other retailers' bottles
1.9.2002	Lidl brings beer bargain sale to market. Using beer promotions to lure customers is against the recommendations of authorities and the prevailing market practise
5.9.2002	The brewery industry accuses Lidl of "breaking" the prevailing practices relating to beer selling; beer should not be used as a promotion to lure customers
1.9.-30.9.2002	Lidl communications policy in unchanged, which cause confusion amongst consumers and media. Consumers complain that there are no proper product information and the places of origin are undetermined. Media demands openness and conformity to Finnish rules
10.9.2002	Product supervisory authority investigates whether Lidl is breaking the law and selling beer at despicable price = product dumping
11.9.2002	The entrance of Lidl have caused competing retailers to increase their private labels/fighter brands as a response to competition with Lidl
30.9.2002	Ministry of Environment urges Lidl to proceed with the negotiations relating to bottle recycling. 30.9. was the set date when the deal was demanded with breweries and trade
11.10.2002	product supervisory authority concludes that Lidl's beer pricing was not in conflict with the good business practice
23.10.2002	Lidl has had tactical advertising in local newspapers in many areas during the fall. This was surprise as Lidl was not supposed to advertise
8.11.2002	The CEO of FGTA, Osmo Laine, says that Lidl concept uses substantially fewer employees than similar Finnish retailers that are similar size
13.12.2002	Co-op Suur-Savo (SOK) announces that it decreases the price of 1000 selected products to Lidl's level permanently

8.1.2003	FGTA's Osmo Laine admits that Finnish bottle recycling system is bureaucratic, which is why it's understandable that Lidl wanted to create its own system...
8.1.2003	... Earlier authorities had demanded that Lidl should negotiate the costs resulting of its bottles to other retailers by the end of September. So far nothing has happened. FGTA is disappointed to the level of control and actions taken by authorities against Lidl
4.2.2003	Lidl promised to deal with the obscurities concerning employment relationships. PAM and Lidl negotiate
11.3.2003	CEO of Ruokakesko, Kalervo Haapaniemi, says that the number of items in their private label will be increased substantially during the Spring. As more shelf space is needed for retailers own products, industry brands will suffer. According to manager Kari Neilimo SOK will increase private label over 20% of the selection.
25.3.2003	Lidl's entry has got local retailers bewildered and forced them to lower prices. Earlier Finnish retailers proclaimed that Finnish market is of no interest to foreign players. Now they're forced to act, even though not well prepared
7.3.2003	Finnish Food Safety Authority Evira remarks Lidl of its lacking shelving practices, insufficient packing label markings and the operations of cold storages that do not match the industry requirements
11.3.2003	Lidl has introduced tougher contract arrangements and negotiation practices to the Finnish retail industry
11.3.2003	The finnish authorities/constituents have so far been quite understanding with Lidl's insufficient cooperation with local regulation and practices. Ministry of environment (bottle recycling), Consumer Agency (scarcity of promotion products), labour union PAM (work contracts) and Finnish Food Safety Authority Evira (product labels) have demanded clarifications and actions with not so good results
14.4.2003	The general price level of food has decreased. This is mainly due to the entrance of Lidl, which has led to tougher price competition and the increase of private label. (part of the structural change of the retail trade instigated by Lidl)
15.4.2003	Lidl agrees to pay the changes in traffic infrastructure in proximity of its new store in Vantaa
19.9.2003	Authorities found safety deficiencies on Lidl store's roof structures. Lidl inspected all the structures and corrected things
10.10.2003	In 2003 the sales of private label products have increased substantially in grocery retail market (part of the structural change of the retail trade instigated by Lidl)
6.2.2004	Kesko tries to fight against Lidl by establishing Cassa, its own hard discounter.
2.4.2004	International labour organization UNI accuses Lidl of disobeying the employment regulation and breaking the collective labour agreement...
2.4.2004	...According to Ann Selin from PAM, Lidl's labour issues in Finland are in good condition. Lidl is cooperating with labour unions and trustee systems have been created
4.5.2004	The CEO of HOK-Elanto, Arto Hiltunen, admits that the profitability of retail trade is decreasing. Tough price competition is eating away the profits
1.6.2004	Some consumers have complained about Lidl's marketing communications to Consumer Agency authority: products advertised with huge discounts have not been available in stores
9.9.2004	According to SOK's Kari Neilimo Lidl's entry has influenced the price image of consumers. SOK has increased its privat label products. Neilimo continues that intense price competition and crafting up cheap products has resulted in structural change, but it hasn't been a problem for SOK nor Kesko
8.10.2004	Rumours about Lidl's controllative and discriminative employer policies from other countries are raising resentment in local employees and in media. Trustee Anne Paldanius says that she is in same situation as other employees: she doesn't know much about things. Ex-trustee Jani Karttunen says the working atmosphere was oppressive with tough manager control...
8.10.2004	The CEO of Retail Employer Association, Heikki Ropponen, says that Lidl strictly obeys the working contracts of retail trade...
8.10.2004	... PAM representative Juha Ojala admits that Lidl follows the agreements to the letter, in good and in bad. Despite this he sees Lidl as rude employer.
27.10.2004	Research comparing prices of food baskets reveals that during the last 1,5 years time Lidl has increased its prices slightly while hypermarkets have decreased their pricing to meet Lidl. Manager Kari Kivikoski from K-Citymarket says that Lidl has to work seriously to beat them. Manager Kalle Lähdesmäki from S-Group thinks that Lidl's retail strategy is highly promotion-lead; it's looking to establish a price profile with selected offers. After the research Lidl announced of substantial price reductions
1.11.2004	Lidl receives "Big Brother" prize from German human rights associations relating to bad treatment of its employees
2.11.2004	Leftist women (Helsinki association of women workers) want to boycott Lidl in Finland due to reports of discrimination: In Czech and Poland women employees who had periods were made to wear head collar that allowed them to go to toilet
4.11.2004	Antti Tiitola dismisses discrimination charges as disinformation. Lidl Suomi Ky respects its employees and treats them just and equally
10.11.2004	Labour unions and authorities in Poland say that there are no substantiated facts behind the allegations of women workers. Though, other labour violations were found in inspection (working hours and overtime pay).

12.11.2004	According to the CEO of Minimani, Jaana Metsäranta, Lidl's further price reductions tell that its concept doesn't work properly in Finland. Lidl has had to get involved in local marketing wars, which has not been efficient. She thinks that Lidl's stock turnover has been insufficient, which is one reason for price reduction. Lidl's pricing has no effect on Minimani
17.11.2004	Consumer Agency authority demand Lidl to change its marketing. Authority sees that Lidl's marketing is in conflict with the prevailing code of conduct in marketing established by the authority together with Retail Trade Association...
17.11.2004	... Lidl's Tiittola sees that the code of conduct is just a view of how things should/could be done by the parties involved. It does not represent law, nor regulation.
9.12.2004	Finnish National board of patents and registration tightens control of trade register. This increases pressure for companies, such as Lidl, which submit insufficient data of their operations to authorities.
14.12.2004	German labour union Verdi accused Lidl of wrongdoings and unethical behavior with employees...
14.12.2004	...Strong criticism has caused Lidl's mother company Schwarz to change its "silent" communications policy and be more open about its operations in the future. In interview CEO Klaus Gehring defended Lidl's actions against these allegations, however they admitted that old policy is not appropriate for today's society
22.12.2004	Lidl takes Christmas decoration off sale when Consumer Agency authority says it's a safety hazard. Lidl reimburses money when product returned.
18.3.2005	The CEO of Ruokakesko, Kalervo Haapaniemi, downplays Lidl's role in Finnish retail market by saying K-market have been successful in tackling Lidl, which has only few percents of the market
5.4.2005	Lidl Sweden is suspected to have exploited loop hole in regulations which related to country of origin-label and salmonella certificate
11.6.2005	Lidl's Tiittola regrets its initial approach to labour union. Cooperation with PAM should have been started earlier
17.6.2005	Antti Tiittola/Lidl Suomi Ky has started giving interviews lately. So far PAM has been taking care of much of the "Lidl communications" in Finland. Allegations of bad employee treatment have been mounting too.
18.11.2005	Lidl in Germany made recently a notable change in strategy: it started to increase manufacturers' brands to its selection. Lidl Suomi Ky does the same: Fazer, Estrella, Valio are just few examples of manufacturers whose products have been included.
27.1.2006	Lidl in Germany hires its first PR professional. Lidl feels that it has often been attacked based on wrong information. Earlier Lidl has tried to avoid publicity, but now it wants to bring its own standpoint to public discussion...
27.1.2006	... Antti Tiittola acknowledges some initial problems relating to labour issues. These problems resulted both from Lidl's lacking know-how and labour union's unawareness. Now all is fine.
30.6.2006	German labour union Verdi accuses Lidl again of poor treatment of its employees
30.6.2006	Lidl's Tiittola dismisses Verdi's allegations saying it's Verdi's purposeful campaigning. He admits some isolated mistakes have been done in Finland too but those were corrected soon. He reminds that Lidl Suomi Ky has not had major conflicts with PAM
30.6.2006	PAM representative Juha Ojala describes Lidl attitude to labour issues as doubtful, rigorous, controllative, non-conversational. Employees have been inspected for thefts. Though, he adds that Lidl follows the law to the point
2.8.2006	Lidl's operations and selections have got local influences after the initial launch. Tiittola says that initial standardized approach was deliberate: "We needed to start with some concept and German model was easiest to implement then"
8.8.2006	Some Lidl's practices continue to be criticized by consumers/customers. For example, the non-existent checkout desks do not get understanding
8.10.2006	"The Finlandization" of Lidl keeps continuing: Lidl started to distribute magazines of Finnish publishing houses. Earlier in the fall several new Finnish suppliers started cooperation with Lidl
30.11.2006	Lidl is closed for Christmas Eve. According to Lidl its employees have deserved it as a free day
2.12.2006	Media applauds Lidl's decision to respect employees Christmas peace. Furthermore, Lidl's corporate citizenship look quite good nowadays. It has learned from the criticism and changed its operation policies for better. Lidl is more open in communications, and signals willingness to cooperation
18.5.2007	According to media Lidl has improved its CSR behavior considerably. CEO Tiittola gives interviews and speaks on behalf of cooperation. The corporate citizenship of Lidl look rather good these these days. Positive images also come from the realisation that Lidl stores have turned out to be quite ordinary.
18.5.2007	Lidl has started to distribute Fair Trade products. This week Lidl introduced its first line of Fair Trade -products to consumers
8.6.2007	AC Nielsen has traditionally gathered shopping data from retailers. Lidl has refused to participate and give its data for third parties. To keep its statistics reliable Nielsen has sent representatives outside Lidl stores to ask customers for their receipts
3.10.2007	Lidl in Sweden had transported garbage together with groceries which violates the regulations. This raises bad publicity. Later it's revealed that this was just single personal mistake and not standard practice
3.10.2007	...Lidl's Tiittola says that this isolated case from Sweden has nothing to do with Lidl Suomi Ky, which follows strictly Finnish law.

11.10.2007	Lidl concept is adapting as a response to Finnish consumers' preferences. Lidl new store in Kamppi has long cash register counters. Also, the selections continue to be modified to local tastes
15.1.2008	Environmental authorities in Chezh punish Lidl with big fine for failing to organize adequate recycling
30.1.2008	Lidl has submitted its financial statement from last fiscal year to trade register one year too late. In addition, the statement is inadequate to Finnish regulations. Authorities sent reminders and ultimatums to Lidl
27.3.2008	Stern magazine published news that Lidl has been spying its own employees with cameras. In addition, security personnel had been compiling reports of private discussions of employees. German labour union Verdi see this as outrageous and urges employees to stand up for Lidl. The disclosure raised resentment and affected Lidl's sales considerably
27.3.2008	Lidl leaders emerged to publicity and said they're sorry for what happened. Lidl says that cameras are not for spying employees but to reveal thefts. Verdi's allegations Lidl dismisses as "membership campaigning". Lidl promised to build new corporate culture and pay more attention to employee matters.
28.3.2008	Lidl has stopped cooperation with the security companies that were guilty of employee spying and harassment. This activity had no approval of Lidl management
17.4.2008	Stern publicies that spying and controlling employees is standard practice in German retail operators. German detective association admits that most of their commissions come from companies aiming to observe their employees
22.4.2008	Lidl in Germany pays money compensation to its employees in order to ease their resentment. Lidl emphasises that spying had no approval of the management
26.4.2008	In Germany Lidl had marketing campaign claiming that Lidl practices fair trade. Based on complaint German Consumer Agency had inspected Lidl suppliers' operations and found that they violate employees' rights. Lidl was forced to cut short the campaign
13.5.2008	Lidl Suomi Ky agrees to renew cash register counters in all its stores. Consumer feedback has especially criticised this grievance
16.5.2008	Lidl Suomi Ky has new policies in personnel management. It has hired Amiedu to train its employees, who have opportunity to move forward to higher places
13.6.2008	AC Nielsen continues its operations outside Lidl stores, disrupting and asking about people's purchases. Now is taking action to make stop for this
1.7.2008	Finnish Grocery Trade Association demands concessions to the regulation of retail trade. Changes to opening hours and to the distribution of mild alcoholic beverages. Earlier TEM representatives had agreed that high regulation has led to market consodilitation and high food prices. Regulation is entry barrier to the market
1.7.2008	According to retail professor Arto Lindblom Lidl made a mistake when it tried to profile itself as replenishment store with small selection. Lately Lidl has changed its strategy and offer more local product with extensive selection
12.9.2008	Lidl has received a fine of 1,5 million euros for its infamous spying operation. The level of control went too far into the private matters of employees
27.9.2008	Lidl has substantially increased sales this year. Reasons include more the general increase of food prices and increased price-awareness of consumers. In addition, Lidl has listened customers' wishes regarding more comprehensive product selection...
27.9.2008	...According to Tiitola during the era of strong growth Lidl was a "project organization", now Lidl has had the opportunity to reinvent itself as a "service organization" that listens more carefully customers
14.11.2008	Employees of Lidl Solna in Sweden poisoned the grocery garbage they throw away. Authorities disapprove this and police investigates
5.1.2009	In cooperation with Amiedu Lidl launches its own retail-education program that's tailored to its operations. Lidl aims to develop the know-how and expertise of all its personnel groups
3.3.- 5.3.2009	Lidl announces changes in its marketing strategy. From now on Lidl will emphasize its own brands more in marketing, and also build the quality image of brands. Lidl is perceived as cheap but poor quality. The aim of communications is also to disperse prejudices that still are associated with German brand and the quality of food
7.4.2009	Lidl has been caught again disrespecting employee regulations and good practices. Lidl collected information of employees' sick leaves and health matters, which is not allowed for employers. Lidl's earlier assurance of mending its practices suffered a imago blow
15.5.2009	MSC-certificate guarantees that fish is caught in an ecological manner. According to WWF in Finnish retail trade Lidl Suomi Ky, S-Group and Findus have so far the best practices in this
28.5.2009	Lidl recruits 450 summer employees. Lidl is committed to hire the best trainees and to support their career development
11.6.2009	Lidl has agreed to accept Visa and mastercard credit cards as means of payment. This enhancement of customer service is part of Lidl's effort to listen to the needs of Finnish customers

12.6.2009	Lidl agrees to renew cash register counters in all its stores. Consumer feedback has especially criticised this grievance, which is standard in Germany
21.7.2009	Finnish Food Workers Union SEL considers the "private label" trend wrong direction. When retailers increase private label products, manufacturer brands margin are increased in order to make the profits. This is not good for Finnish food industry and workers
22.9.2009	Lidl will implement the tax decrease into the prices week in advance. In addition, the prices will be rounded down
2.10.2009	Auditor reprimanded Lidl for submitting inadequate financial statement that's in conflict with auditing regulations
19.10.2009	Rewe's director accuses hard discounters Aldi and Lidl of over-the-board price competition that causes problems to trade, suppliers and manufacturers. In addition, it makes consumers think only price, neglecting sustainable development. It's irresponsible.
9.12.2009	Lidl has started to build small shopping centres around its stores. According to Lidl's manager Kivikoski the idea is to create synergy where everybody benefit from the customer flow of others
8.2.2010	Lidl has just announced to hire 500 youth for the summer. Columnist in Kauppalehti thinks that the level of responsibility of companies can tangibly be seen in offering youth summer vacancies.
17.3.2010	Lidl becomes the partner of the Skiing Association and starts to sponsor the young ski-jumpers
28.5.2010	Lidl wants to be more open and set straight false beliefs that were born in the beginning. Lauri Sipponen says Lidl's operations are responsible. More advertising and other communications are used to educate consumers
5.7.2010	Lidl Suomi Ky admits that scandals abroad has affected negatively also to its reputation. In addition, there are several misconceptions about Lidl out there. In the future Lidl will fight stronger for its reputation. CEO Lauri Sipponen says that relations are good with employees
5.7.2010	According to PAM Lidl's early employer action suffered from European/German management style that didn't fit well into Finland. Cooperation with labour unions rapidly started to improve things and personnel management is today as good as any other retailers
13.10.2010	Lidl has agreed to become a member of the Finnish Grocery Trade Association from the beginning of 2011. Action helps Lidl to influence its operations conditions and pursue interests
12.1.2011	As a precaution related to dioxine hullabaloo Lidl has inspected in cooperation with suppliers the origin of all its products. No need to worry.