Strategic Corporate Social Responsibility: The Struggle for Legitimacy and Reputation

Pre-print version of:

Pollach, I. (forthcoming). Strategic corporate social responsibility: The struggle for legitimacy and reputation, *International Journal of Business Governance and Ethics*.

Abstract

Companies face the pressure to differentiate themselves from other companies, while simultaneously facing the pressure to work by the same standards as other companies in order to maintain their legitimacy. Firms that want to gain a differentiation advantage through their CSR activities need to match the practices of other firms, innovate and communicate their own CSR practices, and protect their CSR achievements from mimicry by other firms. An interview study among CSR directors of large industrial companies with high CSR ambitions was conducted in order to shed light on how CSR directors navigate this cycle of CSR innovation, CSR communication, and CSR mimicry. The findings suggest that companies should seek to foster relationship building within the organisation in order to speed up the execution of CSR ideas, build co-opetitive networks for knowledge sharing with other companies, critically examine the organisation's culture, and optimise the effectiveness of CSR communication.

1. INTRODUCTION

Broadly, companies face two kinds of pressure: The pressure to work by the same standards as all other companies and the pressure to be different from their competitors. The first pressure has been captured by institutional theory (DiMaggio and Powell, 1983; Deephouse, 1996), which argues that organisational survival is contingent upon conformity to common standards. Firms therefore mimic other successful firms in order to gain or maintain their legitimacy, which leads to some kind of homogeneity among firms. Meanwhile, the resource-based view of organisations (e.g. Wernerfelt, 1984; Barney, 1986; Barney, 1991) argues that the basis for a firm's competitive advantage is a bundle of valuable, rare, in-imitable, and non-substitutable resources. This view places value on organisational uniqueness and heterogeneity among firms, prompting them to identify their unique strengths and build a reputation around them as a way of differentiating themselves from competitors.

CSR initiatives can serve both as a means of maintaining legitimacy and as a means of differentiating a firm from its competitors (e.g. Wood, 1991; Burke and Logsdon, 1996). This paper follows McWilliams and Siegel's (2011) definition of strategic CSR as all CSR activities that may provide a firm with "a sustainable competitive advantage, regardless of motive" (p. 1480). The literature review of legitimacy and reputation in this paper suggests that companies that want to gain a competitive advantage through their CSR efforts face a number of challenges: (1) They need to stay abreast of their competitors' CSR activities in order to maintain their legitimacy, (2) they need to innovate and communicate their CSR practices continuously in order to build and maintain a

reputation for CSR, and (3) they need to protect themselves against mimicry by other firms seeking to maintain their legitimacy. Previous work on the relationship between legitimacy and reputation is either theoretical in nature or does not address CSR specifically (e.g. Zyglidopoulos, 2003; Thomas, 2007; King and Whetten, 2008; Bitektine, 2011). The only empirical study so far is a quantitative study of the banking industry, where reputation is measured based on financial data, and legitimacy is measured based on a content analysis of media coverage. Its findings suggest that conformity among banks enhances legitimacy, and that financial success impacts their reputation but not their legitimacy (Deephouse and Carter, 2005).

This article seeks to shed light on how companies that want to gain a strategic advantage through their CSR efforts deal with the challenges of maintaining their legitimacy and achieving differentiation advantages. To this end, in-depth interviews with CSR directors of large industrial companies with high CSR ambitions were conducted. The findings contribute a more grounded understanding of the processes and resources through which firms with high CSR ambitions tackle the challenges outlined above. The paper is structured as follows: First, the literature on legitimacy and reputation is reviewed in the context of the challenges outlined above. This literature review serves as a basis for the interviews that are conducted, helping to identify relevant concepts and issues to be addressed in the empirical inquiry. Next, the methodology is introduced, which consists of an inductive analysis of interview data. Ultimately, the findings are presented and discussed.

2. LITERATURE REVIEW

This section first reviews the concepts of legitimacy and mimicry and then reputation and differentiation. This is followed by an examination of the similarities and differences of legitimacy and reputation.

2.1 Legitimacy and Mimicry

Legitimacy is conceptualised as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). These norms include laws as well as societal expectations articulated by powerful stakeholder groups, such as NGOs and activist groups (e.g. Holzer, 2010), the news media (e.g. Pollach, 2014), or citizens organising themselves via social media (e.g. Whelan et al., 2013). Firms gain legitimacy when they conform to all norms of acceptable behaviour, attempt to change these norms, or associate themselves with institutions that are highly legitimate. In order to maintain their legitimacy, firms need to anticipate changes in the environment as well as protect their previous achievements (Dowling and Pfeffer, 1975). Gaining and maintaining legitimacy relies heavily on communication between the firm or other intermediaries and corporate stakeholder groups (Suchman, 1995) in order to inform stakeholders about the firm's practices. However, firms have considerably less credibility than other sources because of their inherent interest in influencing perceptions (Lee et al., 2011). Claims about corporate social performance are often met with scepticism as a result of numerous high-profile incidents of corporate misconduct (Skarmeas and Leonidou, 2013). Therefore, the news media and market analysts play a crucial role as propagators of organisational legitimacy. Whether and how they report about corporate activities influences the perceptions of all corporate stakeholder groups (Hellgren et al., 2002).

Legitimacy becomes especially an issue, when a firm violates the standards it is expected to conform to. The subsequent loss of legitimacy may severely disrupt a firm's external relationships and access to critical resources and can even mean the death of a firm. A firm's occasional departure from expected behavioural norms, meanwhile, may be repairable or may even go unnoticed. Firms that have lost their legitimacy need to repair weaknesses in the organisation, e.g. by installing monitoring

systems or ombudspersons, and communicate with their stakeholders in order to apologise or justify their behaviour and assure them of their improved practices (Suchman, 1995; Hamilton, 2006).

In addition to complying with legislation, firms typically fulfil stakeholders' moral expectations through CSR. Over the past decade, CSR standard-setting initiatives have become an industry of their own, with more and more institutions issuing codes that companies can adhere to. Especially initiatives that have been launched by credible organisations and are widely accepted can confer legitimacy to a company that complies with these standards (Fombrun, 2005). Examples of standard-setting initiatives include industry-initiated codes (e.g. the Equator Principles for financial institutions, Transparency International's Business Principles for Countering Bribery) and more general codes (e.g. OECD Guidelines for Multinational Enterprises, UN Global Compact) (Adeyeye, 2011). In addition, companies can obtain labels (e.g. Rugmark, Fairtrade) or certifications (e.g. SA 8000 social certifications for workplaces) as a means of signalling legitimacy. Additional examples include the ISO 26000 guidelines for CSR, the CERES Principles, AccountAbility's AA1000 standards, and the GlobalGAP standards. Arguably, the existing patchwork of CSR standards is more of a hindrance than help in the quest for legitimacy. The sheer volume of standards is confusing and many standards overlap. Further, standards may not be available for particular industries, products, or issues, and many existing standards do not offer quantifiable indicators, which renders longitudinal comparisons or comparisons between companies impossible (Miller et al., 2007).

Especially transnational firms are in need of established standards they can adhere to, because the legal and moral standards in their host countries do not necessarily correspond to the moral demands in their home countries. The absence of such global corporate governance mechanisms makes it more and more difficult for transnational firms to maintain their legitimacy, as stakeholders in their home countries expect them to address problems as diverse as health, education, global warming, human rights, or malnutrition in their host countries (Palazzo and Scherer, 2006; Scherer and Palazzo, 2007). When firms take on responsibilities that are actually in the sphere of the state, they produce public goods and become political actors. In line with this politicisation of firms, Palazzo and Scherer (2006) suggest a discursive approach to corporate legitimacy. According to this discursive approach, legitimacy is not obtained by adapting to standards set by others, but is obtained for each controversial issue by entering into a dialogue with all parties involved in order to define standards and expectations jointly.

When firms undertake efforts in order to gain and maintain legitimacy, they typically imitate larger and more successful firms with superior legitimacy and status (DiMaggio and Powell, 1983). They can minimise search costs for decision-making and problem-solving through this 'borrowed experience' (Huff, 1982). Gaining and maintaining legitimacy is therefore closely connected to mimicry among firms, especially in uncertain and dynamic environments (DiMaggio and Powell, 1983; Haveman, 1993; Haunschild and Miner, 1997). This referential response can be of a competitive or non-competitive nature, which means that firms mimic other firms either in order to learn from these firms or to offset the effects of their competitors' moves (Gimeno et al., 2005). When companies constantly mimic each other they initiate an industry-wide adaptation process that results in homogeneity among firms and the institutionalisation of practices (cf. DiMaggio and Powell, 1983; Zucker, 1987). A number of very broad CSR practices have become institutionalised, at least among large organisations. This institutionalisation has taken place through coercive isomorphism (e.g. the CSR reporting standards introduced by the Global Reporting Initiative), mimetic isomorphism (e.g. the rise in CSR reporting in all industries), and normative isomorphism (e.g. education programs in CSR) (DiMaggio and Powell, 1983; Zucker, 1987; Matten and Moon, 2008). Mimicry can best be averted through legal protection, such as patents or copyrights. In the absence of such protection, as is the case with CSR solutions, any product or process "whose nature is transparently obvious to outsiders" (Aldrich and Fiol, 1994, p. 654) is easy to imitate, unless firms possess isolating

mechanisms such as managerial capabilities, information advantages, or unique corporate cultures (Barney, 1991; Mahoney and Pandian, 1992).

2.2 Reputation and Differentiation

What has been mentioned as a protection against mimicry above is the basis for competitive advantage, as argued by the resource-based view of organisations (e.g. Wernerfelt, 1984; Barney, 1986, 1991). A firm can gain a competitive advantage when it possesses a bundle of valuable, rare, inimitable, and non-substitutable resources, such as processes, equipment, knowledge, capabilities, attributes, and unique corporate cultures. A positive corporate reputation is an intangible asset that belongs to a firm's competitive resources. Companies can enhance their reputation when they are first movers in the implementation of a particular strategy by benefitting from the public attention they receive (Barney, 1991). Corporate reputation is defined as "a collective representation of a firm's past actions and results that describe a firm's ability to deliver valued outcomes to multiple stakeholders" (Fombrun and Van Riel, 1997, p. 10). Thus, reputation is based on the subjective perceptions of the firm's numerous smaller and larger stakeholder groups (MacLeod, 1967; Wartick, 1992). Corporate reputation is the result of their attitudes toward a particular firm vis-à-vis its competitors, their attitudes toward business in general, and their attitudes toward particular industries (MacLeod, 1967). These attitudes are influenced by the messages and behaviours of the firm, media coverage of the firm, word-of-mouth, signals from other sources, and competitors' reputation management efforts (MacLeod, 1967; Fombrun and Shanley, 1990). Reputation can therefore be seen as the result of a competitive process among firms in which all of them seek to identify and communicate their most attractive and unique characteristics to their stakeholders in order to maximise their reputational standing and gain a competitive advantage (Spence, 1974; Rao, 1994).

Most importantly, a reputation is always a reputation *for* a particular attribute (Foreman et al., 2012). This corresponds to the concept of differentiation known in the strategy literature as a strategy according to which "a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers" (Porter, 1990, p. 37). Since different stakeholder groups pay attention to different signals from the firm or about the firm (Rao, 1994), a stakeholder group may ascribe a positive reputation to a firm for one particular attribute and a negative or neutral reputation for another attribute (Jensen et al., 2012). Fombrun and Van Riel (2004) suggest measuring reputation separately for each stakeholder group as a sum of assessments for different dimensions of the firm's performance. These dimensions include products and services, financial performance, vision and leadership, workplace environment, social responsibility, and emotional appeal. In addition, a firm's reputation should be measured relative to other firms (Fombrun, 1996), because it represents a firm's relative standing (Deephouse and Carter, 2005).

CSR is one area that can be the foundation for a firm's reputation and can therefore be used as a differentiation strategy (e.g. McWilliams and Siegel, 2001; McWilliams et al., 2006; Melo and Garrido-Morgado, 2012). Empirically, CSR initiatives have been found to influence reputation among consumers (e.g. Stanaland et al., 2011), potential employees (e.g. Turban and Greening, 1997), and investors (e.g. Fombrun, 2005) positively. However, CSR activities are also subject to consumer scepticism and often dismissed as symbolic exercises or corporate 'greenwashing' by the general public. Previous theoretical work has argued that CSR activities can deliver strategic reputational benefits to a firm in the form of a first-mover advantage, if the CSR activities are central to the firm's mission, provide specific benefits to both the firm and external stakeholders, and are visible to internal and external stakeholders (Burke and Logsdon, 1996; Tetrault Sirsly and Lamertz, 2008). Visibility is especially important in order for a CSR initiative to impact corporate reputation (Schlegelmilch and Pollach, 2005) and can be achieved through CSR reporting, CSR-focused branding, or eco-labels (Orsato, 2006) as well as advertising, the media coverage following press releases, or the

sponsorship of charity events (Tetrault Sirsly and Lamertz, 2008). Because differentiation relies heavily on communication and visibility, differentiation advantages through CSR erode, as competitors begin to mimic successful behaviour (Levy, 1997) and communicate about it, as has been discussed above in connection with legitimacy-seeking behaviour.

2.3 Legitimacy and Reputation

Legitimacy and reputation overlap in some respects, but differ fundamentally in their focus. Both legitimacy and reputation are the result of firm behaviour and communication with corporate stakeholders (MacLeod, 1967; Suchman, 1995; Fombrun and Van Riel, 1997), both reflect the perceptions of external actors (Zyglidopoulos, 2003), both are therefore judgments (Bitektine, 2011), both are socially constructed attributions (Thomas, 2007), and both can enhance a firm's access to resources, such as capital and talent (Deephhouse and Carter, 2005). It has also been argued that they are both multi-dimensional constructs that would correlate, if they were operationalised (Bitektine, 2011). They are further related in that legitimacy is a prerequisite for a positive reputation (Zyglidopoulos, 2003). Therefore, reputation and legitimacy are conceptually overlapping and intertwined concepts rather than opposite poles of a continuum, because firms need some level of legitimacy in order to obtain a strong reputation.

The main difference between legitimacy and reputation is that legitimacy has its focus on the similarity of firms and is associated with homogeneity and inter-organisational mimicry. Reputation, meanwhile, has its focus on the differences between firms and requires uniqueness (Deephhouse and Carter, 2005; Bitektine, 2011). Further, legitimacy is present or absent based on a comparison against social norms, while reputation is measured relative to other firms. Finally, legitimacy is connected to acceptability, whereas a positive reputation is associated with favourability (Deephhouse et al., 1997 in Zyglidopoulos, 2003).

Overall, the literature on legitimacy suggests that firms with high CSR ambitions face the simultaneous challenges of matching their rivals' CSR moves while protecting their own CSR achievements against mimicry by other firms. The literature on reputation suggests that firms seeking to build a reputation for their CSR efforts face the challenge of innovating their CSR practices, while being mimicked as they communicate their new CSR activities to external stakeholders. Together, these two streams of literature suggest that firms with high CSR ambitions find themselves in a perpetual cycle of matching the practices of other firms, innovating and communicating their own practices, and protecting their CSR achievements. Since we only have a theoretical understanding of the challenges outlined above, this paper seeks to shed light on how CSR directors navigate this cycle of CSR innovation, CSR communication, and CSR mimicry.

3. DATA AND METHODOLOGY

A qualitative study based on in-depth interviews was conducted in order to arrive at a more grounded understanding of CSR directors' perceptions, beliefs and reasoning regarding legitimacy and reputation. The CSR directors were found through a CSR network of large industrial companies in Denmark. This network is part of the *Confederation of Danish Industry*. The companies in this network are all of Danish origin and headquartered in Denmark, with the exception of two companies, which are headquartered in Sweden, but maintain large subsidiaries in Denmark. The network's 18 members are all nationally well-known companies, and most of them are active globally. They include both companies that are large by Danish standards as well as global conglomerates. On average, they have 15,500 employees, with a range from 268 to 88,205 employees. The member companies are not in direct competition with each other, as they operate in a variety of industries, including consumer goods, food and beverages, chemicals, pharmaceuticals, toys, transportation, and utilities. Of the 18 CSR directors, 16 were available for interviews.

Face-to-face interviews with the CSR directors of these companies were conducted on the companies' premises. The interviews were semi-structured based on a detailed interview guide with the possibility for follow-up and clarifying questions. The interviews were recorded and transcribed verbatim. The lengths of the transcripts range from 12 to 26 single-spaced pages, amounting to a total of 293 pages. The study was introduced to the CSR directors as a study on the implementation of CSR in large organisations. In view of the terminological inconsistencies in the field of CSR (cf. Palazzo and Scherer, 2006), CSR was defined broadly, encompassing sustainability, stakeholder affairs, citizenship, and corporate ethics.

The interview guide started with general questions and proceeded to more specific ones. First, the CSR directors were asked about the contextual factors of CSR in their organisations, including the history of CSR in the organisation, the origin of corporate values, departmental arrangements for CSR, and participation in CSR networks. This was followed by questions about CSR strategy making in the organisation, the main focus of their CSR activities, the expected outcomes of their CSR initiatives, and their channels of CSR communication. Most importantly, questions were asked about whether and how they use CSR for differentiation, whether and how they copy the CSR activities of other companies, whether their CSR activities have been copied, and how they seek protection against copying. Additional questions were asked, as needed, to solicit examples and substantiate responses.

To code the interview data, a two-step coding process was used, employing meaning categorisation (Lee, 1999, pp. 91-92; Kvale, 1996, pp. 196-199). The transcripts were first coded deductively based on the following broad categories that were discussed in the theoretical framework: legitimacy/mimicry, reputation/differentiation, and CSR communication. All passages that had relevance for these concepts were highlighted and subjected to an inductive categorisation process in order to derive more specific sub-categories from the data. The sub-categories that emerged from this coding process suggested that the three broad categories needed to be reorganised in order to include 'sharing' as a concept, since all of the CSR directors talked about sharing CSR ideas at some point during the interviews. Further, 'mimicry' was divided into 'being mimicked' and 'mimicking other companies'. The coding categories and their sub-categories are presented together with the results in Tables 1-4. All categories were designed as binary codes (presence / absence). This technique of meaning categorisation has been suggested in particular for coding interviews focusing on organisational characteristics and phenomena (Lee, 1999, p. 91).

4. RESULTS

The CSR directors work in departments that have grown out of a variety of corporate functions or are still placed within those, including law, human resource management, people and communication, occupational health and safety, R&D, and quality management. As the companies in the sample operate in different industries, the core CSR issues they work with are also very diverse. These include, for example, greener products, greener packaging material, greener logistics solutions, better working conditions throughout the supply chain, or disease prevention.

4.1 Differentiating the Company

The CSR directors were asked whether and how they viewed CSR as a means of differentiating their companies (see Table 1). Apart from one CSR director, all interviewees used CSR to differentiate their companies. The one director who did not share this view argued that consumers in their line of business are not interested in paying more for more sustainable products, but the company engages strongly in CSR nonetheless. Four broad categories within differentiation emerged in the coding process, as can be seen from Table 1. First, CSR was used for differentiation as a way of generating more business. If there were demand on the market, the companies would engage in a particular CSR

issue in order to strengthen their position on the market. Second, CSR can help the organisation to gain public recognition and become more visible on the market. Third, CSR is practiced in a referential manner as a way of gaining an edge over direct competitors. Fourth, the companies found CSR helpful as a means of differentiation, but did not engage in CSR specifically for this reason, because CSR had always been a natural part of their organisations' cultures.

Table 1

4.2 Being Mimicked

When asked whether other companies had mimicked their CSR activities, only one CSR director felt that this was not the case, because the company was not that advanced yet. The remaining directors all felt that they had been mimicked by other companies. The interviewees were further asked about whether they saw mimicry as a problem or not and what they considered to be preventative measures against mimicry (see Table 2). The directors who did not perceive mimicry as a problem argued that mimicry is an inherent part of CSR and that copying is necessary in order to bring all companies forward. As for preventative measures, the CSR directors felt that continuous innovation and R&D are the only possible solution. Further, they pointed to inimitable resources that give the companies a competitive advantage over competitors in the implementation of their CSR strategies. The four resources that were named include firm size, relationships between departments, execution experience, and organisational culture. First, being small relative to competitors was seen as an advantage because of the flexibility it affords. Second, the good relationship between the sales department and the sustainability department was seen as another inimitable resource. Next, their experience in executing and implementing new CSR ideas was seen as a factor that can fend off competitors who seek to mimic CSR activities. Last, corporate culture was identified as a barrier to imitation, in that all CSR activities that a company copies from others need to be adapted to fit the corporate culture.

Table 2

4.3 Mimicking Other Companies

The CSR directors were asked whether and how they mimic other companies. All CSR directors stated that they mimic other companies, even though they did not necessarily answer the question positively at first. Rather than using the words *mimic* or *copy*, they used, for example, "*inspired by*", "*look at*" or "*learn from*". Table 3 contains the three codes that have emerged from the analysis together with an example of each. First, the CSR directors were clear about the need to adopt standards that other companies have set in order to maintain their legitimacy, but none of the CSR directors actually used the word *legitimacy*. Instead, they used expressions such as "*benchmark against*", "*compare*", and "*are influencing us*". Second, more than half of the directors stressed that they do not copy an idea, simply because others are successful with it, but only copy those ideas that fit their CSR strategies. Third, the directors mentioned personal contacts and CSR networks as two sources of inspiration for mimicry. The CSR network the companies are members of plays a big role in

learning from other companies, but they also contact other CSR directors directly, if they have specific questions or need ideas on how to tackle a particular CSR issue.

Table 3

4.4 Sharing

Sharing was not specifically asked about in the interviews, but was brought up by the interviewees in varying contexts, typically in connection with the CSR network they are a part of. The CSR directors felt that sharing is the main purpose of this CSR network, where they discuss their problems and solutions and receive feedback from other CSR directors. Although all directors were, in principle, willing to share CSR solutions and ideas with CSR directors from other companies, they differed as to the extent to which they share and with whom they share (see Table 4). Some share their CSR ideas and solutions broadly in order to move business practices forward and solve societal problems. Others have a more competitive approach and share their knowledge in order to force their competitors to follow suit. Even other CSR directors have a more limited approach driven by fears of mimicry and therefore share only with CSR directors they know and trust, or share only with non-competing firms, or do not share a new idea in the first year of its implementation, so that they can benefit from it first.

Table 4

4.5 CSR Communication

The CSR directors were asked how they communicate their CSR efforts to internal and external audiences. The coding analysis resulted in two different coding categories: (1) the target group of CSR communication and (2) the channels used for CSR communication. A key problem the CSR directors perceived was that CSR communication addresses an *"undefined target group"* (company #5), including all corporate stakeholders with a diverse range of interests and information needs. Several CSR directors stated that they communicate with particular stakeholder groups in a targeted manner. For example, they distribute CSR material to potential employees at job fairs for students, prepare material specifically for investors, and enter into face-to-face dialogues with relevant NGOs. The CSR directors also mentioned press releases, but did not consider them very effective, because CSR news typically does not fulfil the news media's criteria for newsworthiness (*"the media are typically interested in topics, specific topics with specific numbers and it has to be concrete and affect people's lives in some way"*, company #7). One CSR director also felt that the news media are interested in CSR scandals rather than positive CSR stories: *"they will of course look for the bad things we do and try to write about that"* (company #3).

As for CSR communication channels, there was consensus among the interviewees that a CSR report is the primary CSR communication vehicle together with the corporate website, and that these two channels address all corporate stakeholders. When asked about the readership of CSR reports, more than half of the CSR directors voiced serious doubts about the effectiveness of CSR reports for building a reputation for social responsibility. The problems they identified in this connection include a general understanding that there is a lack of interest in these reports among external stakeholders (e.g. *"nobody reads this, nobody"*, company #2). They acknowledged that investors might be interested,

but only in a summary format (e.g. *"they are really satisfied with one page in the annual report ... they won't read a 30-page or 50-page CSR report"*, company #5). One director pointed out that he has only ever received questions regarding the CSR report from CSR directors at other companies, but never from the intended audiences. The only actual audience of CSR reports mentioned by the CSR directors were NGOs (*"we know NGOs are reading our report very carefully"*, company #4). Moreover, a CSR director argued that the CSR report is of great importance for internal use, as it documents the company's practices and achievements over time (company #6). In the absence of a broad interest in CSR reports, several companies have discontinued paper versions of their CSR reports or other more specific types of reports altogether. Instead, they use their websites for CSR communication, which gives them at least the possibility to track how often these documents are accessed.

5. DISCUSSION

The purpose of this study has been to gain a more fine-grained understanding of how CSR directors navigate the cycle of innovating their CSR practices, communicating their CSR activities to achieve differentiation, and preventing others from mimicking them. Apart from one CSR director, all interviewees saw CSR as a means of differentiating the company, thus approaching CSR in an instrumental manner (cf. Burke and Logsdon, 1996). However, their varying approaches to sharing suggest that – at least some of them – also take on roles as political actors and want to solve social and environmental problems with their CSR solutions (cf. Palazzo and Scherer, 2006). Others, meanwhile, have a competitive approach to sharing and seek to benefit from their CSR ideas first, which may delay the production of public goods that could otherwise be delivered by all companies together.

The literature on strategic CSR has suggested that companies can benefit from a first-mover advantage in the form of an enhanced reputation, if their CSR initiatives are central to the firm's mission, provide specific benefits to both the firm and external stakeholders, and are visible (Burke and Logsdon, 1996; Tetrault Sirsly and Lamertz, 2008). Companies therefore need to communicate the CSR knowledge that can give them a first-mover advantage to their stakeholders for the purpose of differentiation. Since almost all CSR directors have reported being mimicked as a result of either the visibility of their CSR activities or their sharing, firms need additional resources that help them maintain competitive advantages. This study contributes to a better understanding of CSR and differentiation by providing an extended view of how differentiation advantages can be achieved despite the visibility of CSR efforts. The findings of this study suggest that differentiation advantages can be achieved and sustained, when companies share their knowledge in co-opetitive networks, form relevant intra-organisational networks, build a strong CSR culture, and communicate CSR effectively. In the following, these resources will be discussed in turn.

5.1 Knowledge Sharing

The CSR directors consider the network they are a part of to be a valuable knowledge sharing facility, because the network's members are non-competing companies, operating in very different industries. There was consensus among the interviewees that this network of non-competing firms helps them to improve their companies' social performance through sharing and learning, which suggests that they engage in a non-competitive form of mimicry (cf. Gimeno et al., 2005). However, all of the companies are major players in Denmark and therefore compete with each other for their CSR reputation on the Danish market in general, which may be a factor for institutional investors or potential employees, for example. Thus, their sharing and learning is also competitive to some extent. Surprisingly, this point was not brought up by any of the CSR directors.

Their practice of striving for differentiation while actively sharing with each other suggests that they engage in a form of co-opetition. The strategy literature argues that the most advantageous

relationship between a firm and its competitors is co-opetition, where the firms simultaneously compete and co-operate. To reduce the complexity of such a relationship, firms should separate their conflicting interests by co-operating only in some clearly defined activities and competing in others (Bengtsson and Kock, 2000). Knowledge that is shared in co-opetitive relationships can be a source of competitive advantage for the individual firm, provided that it has the capabilities and resources to put this knowledge into use (Loebecke et al., 1999). This study has suggested that co-opetitive CSR networks can be a way of separating issues on which companies want to co-operate from those they want to keep proprietary.

5.2 Intra-Organisational Relationships

In this study, close and strong relationships with the sales department were specifically mentioned as crucial for reputation building. Depending on a firm's CSR objectives and activities, such relationships should therefore be established with all corporate functions potentially involved in CSR initiatives. These can include human resource management (e.g. Déniz-Déniz and Saá-Pérez, 2003), brand management (e.g. Blumenthal and Bergstrom, 2003), logistics and supply chain management (e.g. Carter and Jennings, 2002), corporate communication (e.g. Pollach et al., 2012), product design, and materials use (e.g. Waage, 2007). The benefits of close relationships between the CSR function and other functions relevant to CSR are that different departments in the organisation interact with different stakeholder groups and have access to different sources of information and novel ideas that can be of strategic significance, if this knowledge is integrated (cf. De Luca and Atuahene-Gima, 2007). Firms with high CSR ambitions should thus strive to build cross-functional relationships that are characterised by a shared understanding of the potential of CSR to contribute to corporate competitiveness. Such relationships can promote organisational learning and innovation, which again can be a barrier against mimicry (Lin et al., 2013), as will be discussed below.

5.3 Organisational Culture

A strong organisational culture is a resource that can potentially prevent competitors from mimicry, as argued by the resource-based theory of the firm (Barney, 1991, 1996). In this study, none of the CSR directors stated explicitly that their corporate culture was a resource that other companies could not copy easily. Rather, there was an understanding that other companies do not necessarily gain value from copying a CSR idea, without adapting it to their culture first. In that sense, culture can function as a barrier against mimicry, as there may not be a fit between the existing culture in an organisation and a new CSR idea. In order to successfully build a culture in which CSR is naturally embedded, the core values and assumptions need to change accordingly, which requires in particular leaders to be role models (Sims, 2000). However, the underlying assumptions and values that help employees interpret events and make decisions are difficult to change, since organisational culture is meant to provide stability, orientation and guidance to employees over time rather than change. Culture is supposed to change only in an evolutionary manner rather than radically (Schein, 1984). When changing the organisation culture, additional changes to artefacts, such as visions, policies, performance measurement systems, or rewards structures, are also necessary. When employees perceive that CSR is an integral element of corporate culture, their perceptions of CSR have been found to be more positive, which can result in higher levels of attachment, commitment, and identification (Lee et al., 2013). This suggests that CSR directors should critically examine to what extent a CSR orientation is embedded in the organisation's culture, and advocate for cultural change, if the culture is not supportive of the organisation's social objectives.

5.4 Communicating CSR

Although the literature on legitimacy and reputation highlights the importance of communication for legitimacy and reputation management, it neglects the challenge of getting corporate message out to all relevant stakeholders through the clutter of competing CSR messages from other companies. In this study, the CSR directors voiced their concerns about the effectiveness of their CSR communication channels. They saw CSR reports as the primary CSR communication vehicle together with the corporate website, although they knew that the CSR report may actually only be read in detail by competitors and stakeholder groups critical of a company's activities. Since CSR reports and websites are essentially pull media, only people with a prior interest in the topic will read them, which makes them largely ineffective for legitimacy and reputation building. The CSR directors did not consider the news media to be effective in disseminating CSR messages either. This suggests that companies need to look beyond pull-oriented corporate media and news media coverage. They should focus on brand-related communication, public speeches, online campaigns, events, sponsorships and awards when competing for stakeholder attention in order to achieve their desired differentiation and legitimacy goals.

An important consideration in communicating CSR is the potential significance of the CSR report and its accompanying webpages for employees. Previous research on CSR reporting has found that employees – after investors – are the second most important audience of CSR reports and a very critical one to boot. While their approval of the CSR report's content may lead to increased identification and job satisfaction, their disapproval may achieve the opposite (Spence, 2009). The CSR directors participating in this study did not mention employees as an audience interested in CSR reports. It is not clear whether their employees were actually not interested in the CSR reports – contrary to what previous research suggests – or whether the CSR directors were not aware of this audience. One CSR director saw the periodic publishing of CSR reports as an important documentation exercise for CSR performance measurement, but did not mention employee identification. Nonetheless, the CSR report can play an important role as an internal communication vehicle, which can also be conducive to a more CSR-oriented culture.

6. CONCLUSION

This article has shed light on the challenges inherent in legitimacy building and reputation management in the context of CSR, as perceived by CSR directors. The findings suggest that gaining a differentiation advantage from CSR activities requires resources that make competitive mimicry more difficult. More precisely, companies should seek to foster relationship building within the organisation in order to speed up the execution of CSR ideas, build co-opetitive networks for knowledge sharing with other companies, critically examine the organisation's culture and subcultures, and optimise the effectiveness of their CSR communication.

This study might be subject to a number of limitations. First, CSR studies are typically prone to a social-desirability bias (Jamali, 2010). However, the length and the level of specificity of the interviews can be seen as a partial remedy. In addition, the study might be subject to a self-enhancement bias (Krueger, 1998), since the interviews to some extent captured the CSR directors' perceptions of their own work. However, the focus of this study is on the CSR directors' attitudes toward the challenges inherent in legitimacy and reputation building rather than the firms' CSR programs and achievements as such, which lessens the impact of this bias. There is also a limitation in that some of the issues addressed in the interviews deal with aspects of competitiveness, which means that there might be relevant insights and experiences that the CSR directors did not share. Despite these limitations, the study contributes a better understanding of how CSR directors perceive and deal with the problematic relationship between legitimacy, differentiation, and mimicry.

The findings of this study open up four avenues for future research. First, the resources identified inductively in this study need to be studied among a broader sample in order to gain a more in-depth understanding of how these resources can be created and how they can bring about differentiation advantages. Second, it has become clear from this study that CSR reports and corporate websites are a necessity when it comes to CSR communication, despite being ineffective in reaching stakeholders. More research is needed on the effectiveness of CSR communication vehicles other than CSR reports and corporate websites. Third, the organisational placement of CSR among the companies participating in this study was very diverse, which may be a result of the different industries these companies operate in. Nevertheless, future research should provide us with a better understanding of the relationship between strategic CSR capabilities and the organisational placement of CSR. Fourth, given the absence of literature on co-opetition and CSR as well as co-opetition and differentiation, this study also highlights the relevance of co-opetition as a phenomenon of interest that warrants further study in the field of CSR.

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Table 1: Perceptions of Differentiation

Code		Example
Yes	Business opportunities	"Since we are business- to-business, we do not really promote these things. But like I told you, for example, if the big customers say: 'Do you want to make a three year partnership with us, trying to reduce carbon footprint on the products you supply to us?' Then of course we would say, three years, that's an opportunity, we should go for it. So, of course, we would use CSR to get business , to link to the customers, so in that way, indirectly" (company #12)
	Public recognition	"well, if we do this in a smart way, we can differentiate ourselves in that way. ... we really...we would like to be visible " (company #13)
	Competition	"I mean some of our competitors have, like us, a clear CSR and environmental policy and program and interesting projects going on, and some of our competitors have nothing. So...I think it's important for us to differentiate ourselves from those who have nothing " (company #14)
	Organisational culture	"it can help us differentiate ourselves, but that's not the most important ...it's just an inherent part of the way we do business and how we are as a company " (company #16)
No	Customers not interested	"we have a range of products which are CO2 neutral or all these things, but nobody sings up" (company #4)

Table 2: Perceptions of Being Mimicked

Code		Example
Mimicry is not a problem		"if someone is copying something, that's just a good thing . I mean, if you wanted to actually believe in a CSR agenda, you cannot be afraid that somebody is copying" (company #1)
Mimicry is a problem		"they are copying us. Very much. ... I think it's hard to do something about it " (company #5)
Solution	Innovation	"you cannot do anything about it, it's just a question of innovation , and continuous improvement, development. You just have to continue to go on and on and always be one step ahead of the competitors" (company # 16)
	Inimitable resources	<ul style="list-style-type: none"> • "Because we are small, we do have some opportunities that others do not have. Because we can be more flexible" (company #4) • "what is unique and what they cannot copy is our close co-operation between sales and marketing teams and our sustainability department" (company #5) • "it could have a negative impact on our competitiveness, but what we have seen ... is our ability to convert that into execution" (company #8) • "the corporate cultures have different meanings ... whatever they did you need to transform that for your company" (company #11)

Table 3: Perceptions of Mimicking

Code	Example
Legitimacy	"Because actually within health & safety we are – actually we together with other key players or big established companies – trying to set standards for what are the health & safety standards, if you buy from one of us. Because in that way, you can sort of say, ok, these big guys they have set a standard for what are health & safety standards and what do you know you get when you get it from us. And if there are enough players to set a standard, or commit to something, it also means that those not committing to it have a higher likelihood of not being included in the game . Or have more difficulties getting to the customers" (company #15)
Relevance	"if there is something that I'm really impressed with, that we can't copy, that wouldn't make sense to copy ... but I think you always get inspiration from other companies. But it's only to a certain extent ... you have to look at the things that are relevant to your company and what makes sense to your company and I think that in this company ... there is a sense that we should only do what is right for us" (company #7)
Source of mimicry	<ul style="list-style-type: none"> • "I typically contact other companies and see what they're doing, both Danish, and also non-Danish. So we share a lot of integration on that" (company #3) • "we join different networks to also learn from each other" (company #16)

Table 4: Perceptions of Sharing

Code	Example
Sharing to move forward	"it's about sharing so that we can ... it is about making the environment better, you know, if it's environmental issues, and, so we can't hold on to this knowledge if that can save the world I don't know how many tons of CO2 emissions. So, I think that the leadership part will only benefit us if we share" (company #7)
Sharing to set higher standards	"whenever we have a breakthrough we come up with , a new way of doing things ... it's innovation ... we try to extend that to broader industry to help raise the bar not just for ourselves but also for our competition. So we see that as an obligation, and many argued that we should treat some of this as more proprietary, because it could have, you know, a negative impact on our competitiveness" (company #8)
First benefit, then share	"I launched a new idea that we had been developing together with a consultancy firm and half a year after that they—a company they had shared it with—had integrated it into their annual report. I will never do that again. We will need to benefit from the good ideas first . And we do not share new tools ... with other companies in the first year. ... Even though we were not competitors, we have decided in my own team that we do not share, that we will need to benefit from the good ideas first. And we do not share new tools or new, brand new ideas that put us on the forefront with other companies the first year" (company #6)
Sharing at network meetings	"... to get new knowledge. It's a good way to also be able to discuss some of the functional topics with colleagues who really have a good understanding of it, because that's not, I mean, when you turn to colleagues internally in the company, it's not always like they know exactly the discipline as such. So it's really to be able to share knowledge and share learning and get some new ideas and get some inspiration and so on" (company #16)
Sharing with personal contacts	"Sometimes I would say, it also depends very much on personal networks and trust ... I have very good personal relations with the CSR manager at xxx for instance, so we share a lot. Also at xxx. And also at other companies, but of course there are also companies ... when they are in the room it's not that I will not tell about what is going on, but I will be careful whether I would share specific tools that would bring them up to the same level as we are, because we are competitors within reputation" (company #6)
Not sharing with direct competitors	"because it is so close to the core business that there we are a little more concerned with whom we share: we knowledge-share with other companies but not so much with those within the same industry " (company #15)