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**A COMPARATIVE ANALYSIS OF  
CSR STRATEGIES, IMPLEMENTATION AND  
OUTCOMES**

**- A Qualitative Case Study of IKEA, Starbucks and H&M**

**Service Management Research**

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## ABSTRACT

A business activity generates both negative and positive externalities simultaneously for both the environment and the society. The basic idea is to minimize the negative externality and generate more positive externality.

Expectations of the society towards businesses have grown tremendously during the past few decades, the stress is upon a socially, environmentally and legally responsible businesses. Organizations have responded to this expectation by indulging in a set of activities which are termed as Corporate Social Responsibility, but that has not been enough, businesses cannot resolve social and environmental problems of the society unless they know where to focus and what is the strategy to become better businesses and yet not be criticized. The need is to utilize a firm's resources in the most effective manner. Thus, strategic CSR comes in as a solution for better performance.

Strategic CSR began the evolution of more responsible and favorable businesses in terms of societal pressures and expectations. In our research, we have tried to develop a framework which when incorporated with the CSR concept helps make more strategic sense to the firm, so that it benefits not only the society but also the firm itself. The research builds a strategic framework and analyses in light of it the CSR activities of three major retail companies namely, IKEA, Starbucks and H&M.

The EFQM model which is a self assessment tool for organizations has been incorporated with CSR to make it a strategic assessment framework. This has been a new concept, and has proven quite effective in assessing the strategies and outcomes regarding CSR of the three companies being used as examples.

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## ***1. Introduction and Purpose***

### ***1.1 Conceptual framework of CSR***

CSR is “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities”, 2001)

The trend is clearly visible globally as more and more business owners have started paying more attention to the social implications of their activities. Corporate social responsibility is a commitment by business towards ethical behavior (Moir, 2001), when it all begins. It is not only about how companies manage the business processes to produce an overall positive impact on the society (Baker, 2008). But, as Carroll (1979) describes, it covers all the four kinds of responsibilities namely economic, legal, ethical and discretionary, which companies have to make a strategic decision. The development of the involvement of companies and the emergence of sustainability thinking in business together can be seen as a pro-active driving force (Edvardsson and Enquist, 2009).

CSR’s role in addressing issues regarding corporate responsibilities of a company and its relationship with the society and environment has been a very debatable topic (Enquist et. al, 2007a). The growing environmental issues and concerns worldwide became the basis of the emergence of the ‘Ecological’ vision.

As commonly perceived CSR is not what is written in company’s code of conduct or annual reports. That is just one part of total CSR initiatives taken by the company. In general social responsibilities of an organization have to include all the three bottom lines:

- Ecological
- Economic
- Social

The concept of CSR is not new to business world as commonly perceived. Corporate responsibility was not difficult to understand as we all know that the debate on “polluting organizations” started at least in the 1970’s, which afterwards recycling, fair trade market practices, good governance, safe packaging, sustainable development, and accountability comes into perspective (Danesi, 2007). In the past companies have been practicing CSR but most of the time it has been viewed as something to fill annual reports and corporate PR statements or lip service. In fact, it has never been taken seriously enough so as to make it part of corporate business strategy. And we don’t have enough business cases to argue for (Vogel, 2005). Of course, Enquist et al. (2008) and Edvardsson and Enquist, (2009) in their recent studies came with very good examples of business cases especially IKEA.

Corporate social responsibility is not about Philanthropy. The under lying theme of corporate social responsibility is that business and society are interwoven rather than distinct entities (Wood, 1991). Corporate social responsibility is fast gaining importance as more and more firms realize its value (Chaudhry and Krishnan, 2007). For the first time business owners all over the

world have started thinking in terms of integrating CSR activities into their core business strategy and started assessing its impact seriously. As CSR has to ensuring competitive advantage and strategic gains (Kotler and Lee, 2005; Porter and Kramer, 2006)

Based on literature review and internet research this study attempts to draw a comparative analysis between three big consumer companies operating in Sweden's retail industry. The focus is on how these companies themselves identify issues as their corporate social responsibility, and how these companies plan to deal with such issues. This study also explores how these companies integrate CSR in their strategic planning and overall business model. Further, this study also investigates what strategies these company apply in order to implement their CSR initiatives and how their outcome is measured.

## ***1.2 Introduction to context of CSR code of conduct of the three cases studies***

- IKEA; The Ikea Way on purchasing home furniture products; IWAY
- Starbucks C.A.F.E. (Coffee and Farmer Equity) Practices are the guidelines designed to help Starbucks work with coffee farmers to make sure that Starbucks sources in coffee growing sustainably grown and processed high- quality coffee by evaluating under triple bottom line; the economic, social and environmental aspects. The guidelines contain 28 specific indicators that fall under four focus areas: Product Quality, Economic Accountability (Transparency), Social Responsibility and Environmental Leadership.
- H&M Code of Conduct strongly focuses on human right which can be related to the worker's life. In order to comply with the standards, H&M's suppliers, staffs and stakeholders are required to follow the following code of conduct:
  1. Legal Requirements
  2. Child Labor
  3. Safety
  4. Workers' Rights
  5. Factory Conditions
  6. Housing Conditions
  7. Environment
  8. Monitoring and Enforcement

## ***1.3 Aims Statements***

This study aims to:

- To gather information on what were the intended activities these companies planned and what were realized strategies in context of outcomes/ results.

- To explore what kind of tools, incentives, goals and objectives are being used by these companies in order to pursue their interest in CSR.
- To make recommendation on how corporate social responsibility can enhance corporate reputation and performance of these companies with their consumers?
- What possible outcomes accrue from this new found focus on CSR?

### ***1.4 Purpose***

Our thesis intends to create a deeply understanding about how our cases study using CSR strategies, implementation and outcomes, by having selected following the theoretical of triple bottom line, a) Environmental perspective b) Social perspectives and c) Economical perspectives, to be a frame works.

## ***2. Research Design and Methodologies***

### ***2.1 Qualitative research methodology***

We believe a qualitative case study is the most suitable to be able to fulfill our research purpose (Maxwell, 2005) because qualitative research approach emphasizes words rather than numbers and focuses on specific situations or people.

### ***2.2 Qualitative Comparison Research***

Up to now, no extensive, qualitative comparison of CSR integrated with the European Foundation for Quality Management (EFQM) model has been reported in literature, whereas thousand of organization in Europe (30,000) have been using EFQM model as fundamental framework for sustainable development & Excellence<sup>1</sup>.

In our thesis is the first which have used the method of comparative case study integrated with the EFQM in context of CSR Framework. Campbell (1975) shows that case studies are the basis of most comparative research. Gummesson (2000)<sup>2</sup> explains that qualitative methodology and case study research is becoming increasingly accepted as a scientific tool in management research for in-depth understanding.

This thesis is structured to follow a qualitative comparison of three case companies which have a highly successful image of Corporate Social Responsibility. We will be demonstrating and comparing their CSR activities starting from their intended strategies to their realized strategies. In order to be able to make a comparison between those of three companies, it was essential that the informants should have a similar amount of CSR variables.

### ***2.3 Empirical data collection and literature study***

#### ***Case Study***

Case study is the method of choice when the phenomenon under study is not readily distinguishable from its context<sup>3</sup>. According to Yin (1994) one of the most used qualitative methods is case study research. While Lijphart (1971) insists that case studies do make a contribution to testing hypotheses and building theory. The case studies we chose are used to study a specific phenomenon (Merriam, 1998) of CSR.

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<sup>1</sup> <http://research.shu.ac.uk/cfie/ecop/docs/EFQMCSRFrameworkECOPF.pdf>

<sup>2</sup> [http://www.amazon.ca/gp/reader/0761920145/ref=sib\\_dp\\_pt/178-8902240-0242424#reader-page](http://www.amazon.ca/gp/reader/0761920145/ref=sib_dp_pt/178-8902240-0242424#reader-page)

<sup>3</sup> Robert K. Yin, Application of case study research second edition,

<http://books.google.se/books?id=Ht8m44CA3YIC&pg=PA3&dq=case+study&ei=4mRJSr2MBZ-EzASu86RU>, P.4

The three different companies operating in three different industries which are selected as case studies with huge retailing activity across diversified product range but with similar end user base have been selected that are:

- IKEA
- Hennes & Mauritz AB (H & M)
- Starbucks Corporation

### ***Data collection method***

Qualitative case studies rely heavily upon qualitative data obtained from interviews, observations, and documents (Merriam, 1988). According to Yin (1989), evidence might come from six different sources when building up case studies. Documentation, archival records, interviews, direct observation, participant-observation and physical artifacts are the sources enabling to collect data. Not all sources are relevant for all case studies.

In addition to make a study on these three cases company, we gather data by using secondary data, more specifically document data in the form of written materials such as H&M's & Starbucks's CSR annual CSR reports, web-pages, case studies in field of CSR and literature reviews, etc. Companies' information available on companies' web-site will also be used to further enhance and update the quality and value of this information. An attempt will also be made to gain access to these companies financial data in order to get some clue on how much amount they are spending on their CSR initiatives annually although, it is sometimes not clear apart from amounts appearing under the head of charities and donations. It is obvious that the amount and depth of information will vary from company to company. Comparative research design will focus on objects which are similar in some respects and also they differ in some respects.

Analysis of data will be done in order to find answers of research questions. Comparative research final focus will be established to reveal systematic structure, invariance, that is true for the companies studies but for the entire population from where the cases came from that is Sweden retail sector. My goal is also to generalize the findings if based on logical grounds. There may be use of some statistical methods as well in order to calculate the credibility or statistical significance of the finding.

In comparative studies mostly two styles are used normative comparison and descriptive comparison. In this research we will be using later style.

### ***2.4 Limitations of Research***

It is worth to mention here that overall the information on CSR normally available is loosely defined in-consistent format across different companies and industries. Therefore sometimes it is quite difficult to assimilate and identify CSR activities. Information on web is also has its limitations too. The main reason being, that to date there is no internationally agreed format on which to report CSR activities like there is one IFRS for reporting financial results.

### **3. Theoretical Analyses**

#### **3.1 Sustainability & Sustainable Development**

Sustainable development is defined as the conversion of the commitment and thinking ways of the management and the capacity of the organization to perform and include key stakeholders (Waddock and Bodwell, 2007). However, for an organization to be completely sustainable is a big challenge and requires a very strong management and leadership which integrates economic business performance, social and environmental performance (Johnson 2007; Schaltegger and Wagner, 2006; Epstein and Roy, 2003).

According to Schaltegger and Wagner (2007), managing sustainability may raise some key concerns and issued within the organization like the measurement of non-economic issues and aspects of performance. Therefore, the measurement of sustainable development has to be done considering several aspects regarding societal, ecological and economic issues (Epstein, 2008; Johnson, 2007; Waddock and Bodwell, 2007; Schaltegger and Wagner, 2006; DeSimone and Popoff; 2003).

*“Sustainability performance can be defined as the performance of a company in all dimensions and for all drivers of corporate sustainability”, (Schaltegger and Wagner, 2006, p.2)*

A lot of people believe that sustainability simply means being “environmental friendly”, but in actual it is a lot more than that (Enquist et.al, 2007a, Petros and Enquist, 2007).

#### **3.2 The Phenomena of CSR**

CSR has been a under debate since its evolution in the world of business management. Friedman (1970) had a very controversial point of view stating that businesses have the sole responsibility of increasing profits, which has been greatly disagreed by other scholars.

Corporate social responsibility is about how companies manage the business processes to produce an overall positive impact on the society (Baker, 2008). Carroll (1991) presented the CSR pyramid with emphasis on four different types of social responsibilities namely: Economic, legal, ethical and philanthropic, hence, combining CSR with the stakeholder perspective. Carroll stated (1991, p.43), *“there is a natural fit between the idea of CSR and an organization’s perspective”*. This idea was later also supported by Kotler and Lee (2005). CSR has originally been associated with ‘profitability, compliance and philanthropy’, nevertheless, after the 1970’s, the imperative shifted to ‘corporate social responsiveness’, Zadek (2001) referred to this idea as ‘Responsible Corporate Citizenship’.

The concept of CSR is not new to business world as commonly perceived. Sometimes ago corporate responsibility was not difficult to understand as we all know that the debate on “organizations pollute” is an old one. Then came recycling, fair market practices, good

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governance, safe packaging, sustainable development, and accountability (Danesi, 2007). In the past companies have been practicing CSR but most of the time it has been viewed as something to fill annual reports and corporate PR statements. In fact it has never been taken seriously enough so as to make it part of corporate business strategy. At the same time it is undeniable that companies have responsibilities towards the communities that surround them (Kitchin 2003).

Carroll (1991) has discussed about philanthropy in his CSR pyramid, Gummesson (2006) at the same time argues about the incorporation of 'corporate citizenship' with charity. Vogel (2005) argues that "doing good to doing good" is the old thinking of CSR. The underlying theme of corporate social responsibility is that business and society are interwoven rather than distinct entities (Wood 1991). Corporate social responsibility is fast gaining importance as more and more firms realize its value (Chaudhry and Krishnan 2007). For the first time brand owners all over the world have started thinking in terms of integrating its activities into their core business strategy and started assessing its impact on brand seriously.

Yuaan and Ning, 1999 argued that CSR has basically three basis which are Economic, Sociological and legal basis. These bases are foundation of the existence of CSR and are subject to across the board debate among theorists, researchers, and industry practitioners. The rationality behind taking economic as basis of CSR is obvious because every company is basically formed with the concept of profit maximization and it is an economic entity. Therefore it is eminent that CSR has to be co-related with economics of business. Research is still needed to find relationship between economics of an organization and CSR and efficiency during the long term process of the company so that a positive correlation of the two is derived (Yuaan and Ning, 1999)

The rationality behind making sociological basis of CSR is most important and it makes complete sense. Company is part of society from where it takes its most prominent input like human skills along with factors of production. Economic cycle impacts industrial process which in turn impacts social development process it either slows it down or speeds it up this will in turn impact. Social development relies on the growth of companies (Yuaan and Ning, 1999). The concept of giving it back to the society is not new; shedding away from the traditional concept of profit maximization it is now being said that companies must plough back some part of their profits into social development work.

The most debated basis for CSR relates to Legal basis of CSR. Yuan & Ning , 1999 argued that society will suffer if corporation embark upon making aggressive profits and in a process damage justice and fair rules of the society. It is understandable that company is a legal entity which has to abide by rules and regulations set by the Government. But the debate able point is that does abiding by rules comes under the domain of CSR? For example paying regular tax is CSR or making employee friendly code of conduct is CSR activity. Davis (1960) gave a very accurate description of CSR he described CSR as business decisions and actions taken for reasons at partially beyond the firm's direct economic or technical interest. This means that compliance with mandatory rules is not CSR as commonly believed. It is something that is done

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### 3.3 CSR Theories

CSR of companies is in principal based on two completely different theoretical frameworks, which are in contrast to each other. Traditionally, CSR is formed on the basis of the classical thought which entails “business of business is business”. According to Friedman (1974), this thinking is based on the traditional perception in which businesses are taken as one dimensional entities of the business organization. It explains that, businesses have the sole responsibility of making adequate provisions regarding goods and services to the society at a profit under authoritarian framework. This theory only emphasizes the cost which businesses incur for social involvement; therefore, it does not highlight or even fail to bring into attention the benefits of CSR. These benefits and advantages can be in the form of resource productivity, cost savings, and product differentiation.

Another modern and contemporary theory of CSR is the stakeholder theory; this theory states the concept of the social contract, which holds that CSR is a function of terms of general agreement between business and society. These terms have undergone basic changes in recently, involving a wider corporate commitment to the surrounding community. This theory reaches beyond the narrow angle of cost considerations, profit making and compliance (Dunfee et al., 1999).

This theory assumes that organizations are not only responsible to their shareholders; they are also accountable to a variety of groups in the society who have stakes in the corporate behavior and decisions that affect societal interests. Therefore this theory assumes that corporations have an enormous power base in society, both in financial and political terms. If organizations neglect their social responsibility they will have to pay a price in terms of increased regulatory compliance, fines, lost business and corporate image in the long term. The theory takes into account the possible profit potential arising out of social commitments in the long run, in terms of increased market share, positive customer ratings and loyalty (Quazi.A, 2003).

There is one debate about justification of the existence of CSR and its being essential component in firm’s core business strategy. As pointed out by (Porter & Kramer, 2006) that the justification of CSR is based on four primary assumptions. First is *moral obligation* which comprises that companies should be a good citizen and its actions should not harm any element of the society. Second assumption is *license to operate* which states that firm’s must have permission from Governments and public to do its commercial activities. Third assumption relates to *Sustainability* which essentially means that companies should plan their business actives keeping in mind long term perspective. Fourth assumption for the justification CSR related to reputation which states that CSR helps company to create a good reputation among communities. These four justifications have been able to draw attention of companies to work more with CSR (Porter, Kramer, 2006).

The sustainability aspect of CSR bases is also well documented another model which discusses five dimensions of sustainability of business namely ethical, social, nature-philosophic, economic and legal dimensions which is quite relevant with CSR bases (Enquist B, Evardsson B, and Sebhatu, S ; 2007). In my opinion any business model which is integrated with CSR

Initiatives but lacks sustainability in the long run is a weak model. CSR activities of the firm must be aimed to create a long term impact on communities which will ultimately translate into customer loyalty and profitability. In other words the pay back for investment on CSR should be seen in long term rather than short term. A third wave of service models are clearly emerging which is based on sustainability of business (Enquist B, Johnson M and Camen C; 2005).

Investment made on CSR has been matter of debate among management and company stakeholders. Most of the time it has been termed as waste of resources and burden of company bottom line. It is therefore important that the decision to whether a company should step in or not must be based on evaluation of the opportunities and threat (Falck & Heblich, 2007). Also (Preston, Post 1975) showed that level of commitment can be conceived if as a socialization process in which corporation recognize their social role. Commitment of resources by top managers of the company will be the direct measure of company seriousness towards embracing CSR and this is key indicator where research efforts should be directed as well.

Although the debate on CSR spending has many implications and it takes many forms but the fact is that theorists and researchers who are making this cry do not understand the real meaning of CSR. In order to clarify we went through literature to find out the most suitable definition of CSR and found out that (Davis 1960) gave a very accurate description of CSR he described CSR as business decisions and actions taken for reasons at partially beyond the firm's direct economic or technical interest. This implies that firm's interest beyond making profit lies in engaging itself in such activities which may or may not directly contribute towards its bottom line.

Extensive study of theoretical framework covering the aspects of management priorities, stakeholder's stakes, management and CSR was done explored further amplification of CSR and its importance. The key question therefore emerges is that why corporation should invest on CSR? Can CSR initiatives be used as competitive advantage in the long run? Can companies use CSR as leverage for their brand building efforts? Comparative studies like the one which is being carried out, aims to find out answers to these questions.

Another theory attempts to explain management priorities in order to determine where CSR stands in terms of resource commitment and seriousness of efforts. In this regards (Falck & Heblich, 2007) have tried to explain in terms of company's stakeholders classification, they argued that company stake holders can be classified into three major categories, key stake holder, emerging stake holder and minor stake holder each group having different set of expectations in terms of return on investment which in turn tied up with company's cash flow. Company sets its priorities and business goals. As far as CSR is concerned it is not yet clear that where it stands in terms of management priorities but definitely stakeholders expectations and employee's rewards take the front seat.

### ***3.4 Misinterpretation of CSR definition***

CSR has initially been misinterpreted with the company's code of conduct- 'Voluntary' such as H&M, IKEA & Body Shop, and the regulations imposed by the authorities, which is equal to

every company. We believe that codes of conduct are basis for CSR and change, which is also a part of quality improvement.

Whereas we believe CSR is much more in wider scope it is not at all complying with rules and regulation set by the Government. It is purely based on volunteer initiatives we again want to refer to definition of CSR by European Communities which we cited in the opening of this report. In which it is clearly stated that:

*“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities”, 2001)*

If we carefully analyze this definition we can see that it is clearly pointing towards concern towards stakeholders on voluntary basis. Nowhere in code of conducts of any corporation can one find concerns regarding community development, sustainable health efforts, concerns for education, improving quality of life of communities. Very few companies are focusing of this issue. Most of the big to medium companies focus too much on improving their internal hygiene conditions and caring about their house keeping. That is not CSR in its purest form.

### ***3.5 Service Quality***

As Enquist and Edvardsson (2006), have discussed about Service Dominant Logic and CSR can act as driving forces for value creation through enhanced service quality. As we have already talked about the discussion of Vargo and Lusch (2004) on the shift taking place from the ‘Goods Dominant Logic’ to ‘Service Dominant Logic’. Improved Service Quality depends on a single imperative, and that is a vital business strategy (Enquist and Edvardsson, 2006).

The paradigm of shifting Total Quality Management to Total Responsibility Management (Waddock and Bodwell, 2007) is a key point in determining the change of the management’s thinking. TRM is made up of procedures and systems to ascertain responsible business practices and management (Sebhatu, 2008).

### ***3.6 Integration of the EFQM Excellence Model with CSR***

To be able to understand and analyze the CSR activities of the three business case studies we have picked for our thesis and also to co-relate them with value co-creation and value in use (Vargo and Lusch, 2004), we have used an altogether new approach of integrating the EFQM business excellence model with the three core activities of CSR with emphasis on the stakeholder’s perspective.

EFQM business model has been incorporated with the CSR phenomena using the ‘Framework of CSR Reporting’. The model has a strong basis on service quality and further probes the

integration of policy and strategic decision making with CSR having a strong focus on the stakeholder's perspective.

The EFQM Excellence model is a self assessment framework used widely to measure the strengths and improvement areas of an organization and across all of its activities. The model is termed as the "Excellence Model" due to the reason that the model has its main focus on what the organization does, or can do, in order to provide excellent service and products to its consumers, stakeholders' and the society in general.

***"A lot of the success of the model is in changing the way people think, looking for links between 'Results' and 'Enablers' outside 'formal Self-Assessment' and realizing the Model can make a difference."***

— Thames Reach

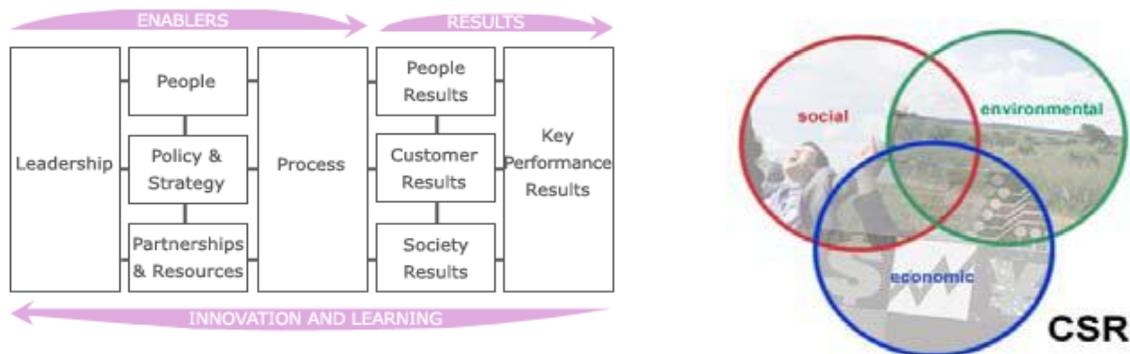
It is a useful theoretical model which is very commonly used to determine the quality aspect in firms' processes and delivery. We will use this model to further evaluation of firms' formulation, implementation and control aspects. The EFQM Excellence Model can be considered as a holistic and integrative approach, where strategic, managerial and operational control processes are integrated in the model (Dahlgaard Su Mi - Dahlgaard Park & Jens J.) The EFQM Excellence Model ("the Model") is highly regarded as an organizational management framework, and is used not only within Europe but around the globe, either as it is or with the approach applied in very similar frameworks. The Model is about improvement. We have selected this model because of its practical and rational approach based on identification of enablers and results or cause and effect methodology (Medhurst D and Richards, D)

(Iwaarden Jos Van & Wiele, Ton van der, 2007) very rightly pointed out that the model makes it possible to take strategic aspects and characteristics of the business environment into account when assessing an organization's quality management systems. This is an indicative of strategic nature of this model and its practical use in research.

### **The Model has the following premise:**

People Results, Customer Results and Society Results are achieved through Leadership driving Strategy & Policy, Partnerships and Resources, People leading ultimately leading to excellence in Key Performance Results.

**Figure 1 : EFQM Framework for CSR**



There are 9 “big ideas” in the Model which cover all the aspects of the organization’s activities. These nine criteria are categorized into “Enablers” and “Results”.

The Enablers determine how the organization conducts itself, how it plans its strategies, how it manages its resources and staff, how strategies are planned, and how key processes are monitored and reviewed. These are:

1. Leadership
2. People
3. Policy and strategy
4. Partnerships and resources
5. Processes

The Results of an organization are what it achieves. This involves the satisfaction level among the employees and the customers, its impact on community and key performance indicators. These are:

6. People results
7. Customer results
8. Society results
9. Key performance results

## 4. Empirical Studies

### What are all about Starbucks?

Figure 2: Starbucks Logo



#### 1. History and Company Profile

Starbucks Corporation has grown from a single store to become the leading retailer, roaster and brand of specialty coffee in the world with more than 15,000 company-operated and licensed locations in North America, Latin America, Europe, the Middle East, Africa and Asia Pacific (CSR annual report 2007). The first retail store was founded in Seattle's Pike Place Market in United States in 1971 as a local coffee bean roaster and retailer. Starbucks' cultures as you see in nowadays inspired after a business trip to Italy in 1983 by Howard Schultz --it's today chairman, president and chief executive officer--. There are 200,000 coffee bars in Italy, and more than 1500 places only in Milan. He had visited Milan's espresso bars and impressed with their popularity and culture (store should be place to meet and visit, etc.) He noticed that coffee is integrated with Italian culture, and then he got a new coffee idea, "*Why not create community gathering places like the great coffee house of Italy in the United States?*" *Could the Old World meet the New World?* (George Garza)<sup>4</sup> Going to Starbucks should be an experience, Re-creating the Italian coffee-bar culture in the United States and that could be Starbucks' differentiating factor.<sup>5</sup> After that he tried to make his idea happen in United States and from then espresso drinks started becoming an essential element of Schultz's vision and success to change, which is what Starbucks is all about at present.

Starbucks Corporation has two business units corresponding to company's operations; one for the US and another unit for other regions, i.e. North American and International. In 1995, Starbucks Coffee International was set up for taking care of Starbucks business outside North America including licensed and joint-venture retail stores worldwide.

#### Company Profile

In 1971, three academics -Jerry Baldwin, ZevSiegal, and Gordon Bowker- opened a store called Starbucks Coffee, Tea, and Spice in the touristy Pikes Place Market in Seattle selling whole bean coffee. In 1982, Howard Schultz joins Starbucks as director of retail operation and marketing and Scultz believed that Americans would pay good money for premium cup of coffee and stylish place as romance Italy atmosphere so he introduced his idea for three Starbucks' Owners but they're not ready for restaurant business.

<sup>4</sup> <http://www.catalogs.com/info/food/the-history-of-starbucks.html>

<sup>5</sup> <http://www.mhhe.com/business/management/thompson/11e/case/starbucks.html>

The owner of Starbucks agreed to sell the firm and Schultz became an owner of Starbucks in 1987 after he had proved the successful idea about a national chain of cafe styled on the Italian coffee bar. In fiscal 2007, Starbucks has grown from 17 coffee shops in 1987 to 15,011 retail stores spread in 43 countries and have 172,000 partners (employees) working worldwide by using strategy go to geographic market and try to completely dominate it before setting its sights on further expansion.

The Starbucks brand was regarded as one of the best known and most potent brand names in America and the company had firmly established itself as the dominant retailer, roaster, and brand of specialty coffee in North America. Through various licensing arrangements and foodservice accounts, Starbucks® coffee and other products are sold in designated locations within airports, grocery stores, other prominent retailers, hotels and universities. Starbucks international licensed retail stores are operated through licensing arrangements and joint ventures, primarily with established retailers or restaurant operators, although some are wholly owned by Starbucks or its affiliates. (CSR annual report 2007)

Founded	In 1971
Headquarter	Seattle, Washington, USA
Industry	Restaurants
Services	Coffee
Net revenue	US\$ 9.411 billion (2007)
Net earning	US\$ 673 million (2007)
Number of retail stores	15,011 (2007)
Company-operated stores	8,505
Licensed stores	6,506
Employees	172,000 (2008)

Additionally, Starbucks produces and sells food and entertainment products through its specialty operations, produces and sells bottled Frappuccino® coffee drink and a line of premium ice creams through its joint venture partnerships and offers a line of innovative premium teas produced by its wholly owned subsidiary, Tazo Tea Company.

## 2. The Starbucks Model

The Starbucks's objective is to establish itself as the most recognized and respected brand in the world, conducting business in a socially and environmentally responsible manner by using Starbucks Mission Statement and Guiding Principles and also integrating Corporate Social Responsibility (CSR) as the prevailing attitude and defines the way to approach its relationships with stakeholders (customers, partners, suppliers, shareholders, communities and etc). The following six Guiding Principles present the company's mission statement and guiding principles to measure the appropriateness of firm's decisions.

### 2.1 Mission Statement and Guiding Principles

*“To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow.”*

- 
- 1) Provide a great work environment and treat each other with respect and dignity
  - 2) Embrace diversity as an essential component in the way we do business
  - 3) Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee
  - 4) Develop enthusiastically satisfied customers all of the time
  - 5) Contribute positively to our communities and our environment
  - 6) Recognize that profitability is essential to our future success

Refer to David J. Vogel (2005); The message of Chris Laszlo's *The Sustainable Company* is that "an integrated economic, social, and environmental approach leads to more enduring shareholder value...It is a long-term strategy, uniquely relevant to the twenty first century, in which responsible social change can become a source of innovation and profits rather than added cost". Starbucks also focuses on long-term competitive potential with "Do well" and has strong commitment to environmental issue.

## 2.2 Environmental Mission Statement

Starbucks is one of the leader companies which committed to a role of environmental leadership in all facets of business. Following are seven commitments that Starbucks uses to fulfill Environmental mission.

- 1) Understanding of environmental issues and sharing information with our partners.
- 2) Developing innovative and flexible solutions to bring about change.
- 3) Striving to buy, sell and use environmentally friendly products.
- 4) Recognizing that fiscal responsibility is essential to our environmental future.
- 5) Instilling environmental responsibility as a corporate value.
- 6) Measuring and monitoring our progress for each project.
- 7) Encouraging all partners to share in our mission.

## 2.3 Global compact

Relate to Starbucks CSR annual report 2007, In June 2004, Starbucks joined another component; the UN Global Compact, a voluntary international network of corporations, UN agencies, trade unions and nongovernmental organizations that support 10 universal principles.

The Global Compact is a voluntary corporate citizenship initiative that aims to mainstream its ten principles (on human rights, labor standards, the environment, and anti-corruption) in business activities around the world (Enquist, Johnson and Skålén, 2006). These Ten principles make Starbucks has strongly commitment to providing benefits for society, environmental and especially about human right.

## The Ten Principles<sup>6</sup>

### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

### Labor Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### 2.4 Material Matrix

The Material Matrix is used to determine what topics and indicators reflect the company's most significant impacts and issues of greatest importance to stakeholders. Figure 4 show that Starbucks identified material issues covered in five topic areas which have the most significant or potential impact on Starbucks and external stakeholders, start from Coffee Purchasing Practices, Growth and Expansion, Environmental Impacts, Health and Wellness and Workplace Practices. Starbucks build sustainable relationships with coffee farmer along with sustainable price. Starbucks is committed to paying the higher prices that premium-quality coffee commands, prices are directly linked to quality of coffee. It was a century that Starbucks has been working and developing a strong coffee sustainability model based on a set of socially and environmentally responsible coffee-buying guidelines that eventually became Coffee and Farmer Equity (C.A.F.E.) Practices.

Figure4: Material Matrix, The most material content



<sup>6</sup> [www.unglobalcompact.org/docs/issues\\_doc/human\\_rights/Resources/Note\\_on\\_Human\\_Rights\\_Jan\\_09.doc](http://www.unglobalcompact.org/docs/issues_doc/human_rights/Resources/Note_on_Human_Rights_Jan_09.doc)

## 2.5 Starbucks Code of Conduct for Sustainable

Starbucks has developed a sophisticated sourcing program that seeks to ensure that Starbucks coffee comes increasingly from suppliers who treat their workers well, pay them a decent wage, and respect their rights. Starbucks agreed to adopt a code in 1995 which has evolved into C.A.F.E., an incentive-based system under which Starbucks growers receive economic incentives for following a comprehensive set of sourcing guidelines.<sup>7</sup>

Figure 5: C.A.F.E. Practices



C.A.F.E. Practices

Starbucks initiated C.A.F.E. (Coffee and Farmer Equity) Practices to evaluate, recognize, and reward producers of high-quality sustainably grown coffee. In Starbucks fiscal 2007 report, 65 percent of Starbucks' coffee, 228 million pounds (103 million kilograms) was purchased from C.A.F.E. (Coffee and Farmer Equity). The goal is to be purchasing 80 percent of coffee through C.A.F.E. Practices by 2013.

C.A.F.E. Practices is a green coffee sourcing guideline developed in collaboration with Scientific Certification Systems (SCS), a third-party evaluation and certification firm.<sup>8</sup>

C.A.F.E. Practices are the guidelines designed to help company work with coffee farmers to make sure that Starbucks sources in coffee growing sustainably grown and processed high-quality coffee by evaluating under triple bottom line; the economic, social and environmental aspects.

The guidelines contain 28 specific indicators that fall under four focus areas:

- A Must meet these prerequisites
- B Evaluated by third-party verifiers



- **Product Quality:** All coffee purchased from C.A.F.E. Practices suppliers must meet Starbucks standards of high quality.
- **Economic Accountability (Transparency):** To help ensure farmers receive an equitable share of the purchase price paid by Starbucks, transparency is required of C.A.F.E. Practices suppliers.
- **Social Responsibility:** Human rights, human working conditions, living conditions for workers are required from C.A.F.E. Practices suppliers.
- **Environmental Leadership:** Measurement in the growing and/or coffee processing.

<sup>7</sup> <http://www.usleap.org/usleap-initiatives/coffee-worker-justice-initiative/current-initiative-starbucks>

<sup>8</sup> [http://www.scs-certified.com/retail/rss\\_starbucks.php](http://www.scs-certified.com/retail/rss_starbucks.php)

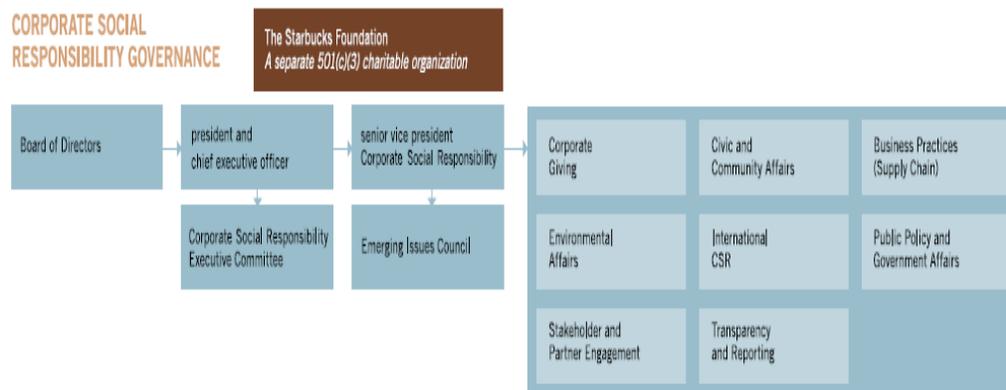
### 3. Starbucks and Corporate Social Responsibility

#### *Is Starbucks responsible?*

Starbucks believes its strong commitment to CSR benefits both company and stakeholders, including shareholders. A few of the tangible benefits are: **Attracting and retaining our partners** (e.g. comprehensive benefits package for motivates worker, guarantees that its employees perform their work in safe and healthy workplaces), **Customer loyalty** (e.g. by customers surveyed in 2007, found that 38 percent associate Starbucks with good corporate citizenship and 86 percent –being extremely or very likely to recommend Starbucks to a friend or family.), **Reducing operation cost** (e.g. by 2010, increasing our customers’ use of reusable commuter mugs tenfold, Maintaining 10 percent post-consumer fiber content in our hot cups.), **Creating a sustainable supply chain** (Starbucks recognized that the success of farmers was not only a social responsibility of the corporation but also a critical component of its own future growth. *We have made significant investments in our supply chains, with the long term in mind. Our focus has been to ensure that our suppliers of today will have the capacity to supply Starbucks business tomorrow, CSR 2007 report*). **License to operate** (e.g. 15,011 retailed stores in 43 countries worldwide can be guarantee that Starbucks are welcomed into a local community)

#### *Corporate Social Responsibility Governance*

Figure 6: Corporate Social Responsibility Governance



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Starbucks social responsibility can be considered into two different dimensions: Social responsibility concerning the internal environment of Starbucks and social responsibility concerning the external environment of Starbucks. As Starbucks International president Martin Coles suggests *“There needs to be cultural alignment between the partners and Starbucks itself. I think it’s important within the company that, as leaders, we are the first one who has to live the principles and the values of the company.”*<sup>9</sup>

Starbucks has a strong sense of shared accountability for CSR to shareholders. Figure 6 shows relationship between Starbucks worker and Starbucks co-worker or alliances include stakeholders about managing responsibility with strong ethical and governance principles. The Starbucks board of directors holds management accountable to operate and management the company principles (CSR 2007). Starbucks defines corporate social responsibility as conducting business; *“For us corporate social responsibility is not just a program or a donation or a press release. It’s the way we do business every day”* (Starbucks fiscal 2006 report); in ways that produce social, environmental and economic benefits to not only for company but also for the whole stakeholders; customers, employees, shareholders and suppliers; not only doing well for person but also for environmental issue, communities, charity activities and etc which focuses in four important areas; Products, Society, Environment and Workplace.

## 1.) COMMITMENT TO THE PRODUCT

For more than 35 years, Starbucks has purchased, roasted and sold high-quality coffee beans through retail outlets and commercial wholesale accounts. While coffee is Starbucks core product, the company markets, sells and/or licenses a broader range of products, including Tazo® tea, Starbucks Entertainment CDs, Ethos™ water, Starbucks™ liqueurs and Starbucks® ice cream, food and dairy items and brewing equipment and merchandise (CSR fiscal 2007).

Starbucks purchased Fair Trade products. To Starbucks give a great product for customers, while paying farmers a fair price (an estimated four percent of global coffee productions) and taking care of the environment.

## 2.) SOCIETY

Starbucks does charity to society \$18 million or 1.7 percent of pre-tax company’s earning. From seventh CSR annual report Starbucks created a new approach and focus for its local giving programmes, such as hours volunteered by partners and customers in U.S. and Canada. Its vision heading to local communities by aligning resources and leveraging technology to support young social entrepreneurs who are seeking to change their communities through innovative ideas, volunteerism and civic action.

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<sup>9</sup> The Starbucks experience,  
[http://books.google.com/books?hl=en&lr=&id=ZP0kg7tKXDAC&oi=fnd&pg=PR7&dq=starbucks+third+place&ots=HxtjyskRIR&sig=MC7TxEtnC8PL-t\\_mRVFC9X-2rq0#PPA10,M1](http://books.google.com/books?hl=en&lr=&id=ZP0kg7tKXDAC&oi=fnd&pg=PR7&dq=starbucks+third+place&ots=HxtjyskRIR&sig=MC7TxEtnC8PL-t_mRVFC9X-2rq0#PPA10,M1).

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### 3.) ENVIRONMENT

Starbucks has launched the shade grown coffee initiative with the environmental organization Conservation International, which brings business and social objectives even closer. This program rewards producers who meet Starbucks requirements for quality and economic transparency as well as environmental and social criteria also aims to encourage farmers to use ecologically sound growing practices in order to help protect biodiversity in environmentally sensitive areas promote environmental sound practices for growing coffee. Starbucks formed an alliance with Conservation International created PSP program, later on enhanced with Scientific Certifications Systems (SCS) guidance and rename to C.A.F.E. Practices, to ensure the sustainable production of high-quality coffee based on a set of quality, social, environmental and economic guidelines with financial incentives for farmers directly in Latin America, Asia and Africa (Starbucks CSR fiscal year 2007).

*Another priority is to develop and implement a global environmental strategy for our business. The changes we will make will focus on decreasing our carbon footprint as we grow. We are also working to strengthen the connections with the communities we serve by engaging with our neighbors and stakeholders. (CSR07)*

Starbucks had an Environmental Committee that looked for ways to reduce, reuse, and recycle waste, as well as contribute to local community environmental efforts.

There was also a Green Team, consisting of store managers from all regions. The company had donated almost \$200,000 to literacy improvement efforts, using the profits from store sales of Oprah's Book Club selections. Starbucks stores participated regularly in local charitable projects of one kind or another, donating drinks, books, and proceeds from store-opening benefits. The company's annual report listed nearly 100 community organizations which Starbucks and its employees had supported in 1997 alone. Employees were encouraged to recommend and apply for grants from the Starbucks Foundation to benefit local community literacy organizations.

Example; Starbucks iconic white paper cup is also on the cover of this report, something we might not have featured so prominently in the past because we had yet to identify ways to mitigate the environmental impacts of these cups. But after pressing for an alternative to traditional hot beverage paper cups made with 100 percent virgin fiber, our efforts have begun to pay off. In 2006 Starbucks will begin using the first-ever hot beverage cups comprised of 10 percent post-consumer recycled content. This measure represents a first step in our ongoing efforts to explore innovations that will help reduce the overall environmental impacts related to our cups (CSR 2005).

### 4.) WORKPLACE

Report Fiscal 2007, the amount of partners is 172,000 partners worldwide. A lot happens in a Starbucks store besides a great cup of coffee. Starbucks offers its customers a welcoming place

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to allow life to unfold – to work, socialize, meet, relax – and more. Our employees, whom we call partners, deliver that experience along with each cup of coffee they serve. We value and respect our partners because we know that our success depends on the contributions they make every day to create a welcoming experience.

*“So, is Starbucks responsible? There is no end to this journey, but I know this: Our ongoing success will always be measured by how well we balance our fiscal responsibility with our goal to enhance the lives of those whom we serve and who serve us”* (Howard Schultz, 2004).

#### **4. Starbucks with EFQM Excellence model**

This EFQM excellence model built on the widely accepted use of it as an internal device for internal self-assessment to monitor and guide the company about quality management and implement.<sup>10</sup> The specific purpose of this excellence model is to provide a systems perspective for understanding performance management (Wongrassamee and Simmons, 2003) and the nine criteria which grouped in “enablers” (what and organization can manipulate) and “results” (what an organization will achieve) are focused on the needs of all stakeholders.

On the other hand we can say from this model that social responsibility is strongly related to the quality thinking especially in the innovative and learning organization. According to *Corporate Social Responsibility for Charity or for Service Business?* CSR is the most significant to build up customer satisfaction in the innovative firms and that customer satisfaction partially mediates the financial return to CSR (Enquist, Edvardsson, and Petros Sebhatu, 2008, p.3). We decided to use EFQM excellence model for analyzing our company case studies because many European organizations have been using this model as a fundamental framework for sustainable development and excellence<sup>11</sup> and also this model was developed and used as a tool for integrating CSR into firm’s strategy.

As this excellence model has been used a lot in European business but we can see many parts in Starbucks management’s guidelines and principles are similar to the excellence framework. According to Starbucks CSR annual report we found key performance indicators to evaluate company performance which show how they achieved progress under these five areas. They are; products, society, environment, workplace and diversity. The most important enablers are processes and leadership as Nabitz, Klazinga and Walburg pointed that people results, customer results and society results are achieved through leadership driving policy and strategy, people, partnership and resources and processes which leads ultimately to excellence key performance results. We will deeply analyze all of nine criterions and also analyze how they are related to CSR in the next part; EFQM CSR Framework.

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<sup>10</sup> A Corporate Social Responsibility Audit within a Quality Management Framework, *Peter Kok, Ton van der Wiele, Richard McKenna and Alan Brown*

<sup>11</sup> The EFQM Framework for Corporate Social Responsibility, Nikos Avlonas, <http://research.shu.ac.uk/cfie/ecop/docs/EFQMCSRFrameworkECOPF.pdf>

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## EFQM CSR Frameworks

### Business Case: Starbucks Corporation

Adoption of CSR is considered as a pro-active tool of value creation and sustainable development even CSR may cost the firm a lot of money but it will enable earn more money back to the firm in the long- term, not every companies succeeded with CSR activities but EFQM CSR Framework can help company understand more about .

EFQM Excellence Model has been studied in more depth in relation to social responsibility issue<sup>12</sup> by integrates with three perspectives of triple bottom line; economic, environment and social become to EFQM CSR Framework used to help company bring quality management link to economy, environment and social issue. At Starbucks has known as a strong sense of shared accountability for CSR to shareholders. As we show before in Figure 6 how it manage relationships between Starbucks worker and Starbucks co-worker or alliances under its strong ethical and governance principles. We will use nine criteria of EQFM CSR Framework for the assessment of Starbucks's CSR maturity.

#### 4.1 “Enablers” criteria

1) **Leadership:** Howard Schultz is one of the most powerful CEO of the world. Because of his new vision for espresso drinks, such as the cafe latte, the Americans coffee tasted was changed like never happen before. Howard Schultz and his leadership team, within the business create a unique culture for employees in which empowerment, entrepreneurship, quality, and service define the value of the firm. We're not in the business of filling bellies. We're in the business of filling souls," says Schultz.<sup>13</sup>

2) **People:** Starbucks offer benefits, create future job opportunities to partners such as an employee ‘Partner Diplomats’ program, where partners at different levels in the organization are given the opportunity to visit Starbucks Farmer Support Center in Costa Rica to learn about Starbucks CSR practices. By providing partners with this unique experience, the program raises awareness, educates and engages employees in Starbucks’ coffee CSR efforts because Starbucks demonstrates a well established culture with principles of treating everyone with respect and purchasing the best coffee available (Filipczak, 1992).

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<sup>12</sup> A Corporate Social Responsibility Audit within a Quality Management Framework, *Peter Kok, Ton van der Wiele, Richard McKenna and Alan Brown.*

<sup>13</sup> 60minutes, The Star of Starbucks, <http://www.cbsnews.com/stories/2006/04/21/60minutes/main1532246.shtml>

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**3) Policy and Strategy:** Mr. Schultz's goal is to "Establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining uncompromising principles as we grow" (Starbucks CSR 2007). The company's mission statement and Guiding Principles and also integrating Corporate Social Responsibility (CSR) are the prevailing attitude and define the way to approach relationships with its stakeholders (customers, partners, suppliers, shareholders, communities and etc).

### 3.1 Mission Statement

*"To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow."*

- Provide a great work environment and treat each other with respect and dignity
- Embrace diversity as an essential component in the way we do business
- Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee
- Develop enthusiastically satisfied customers all of the time
- Contribute positively to our communities and our environment
- Recognize that profitability is essential to our future success

Refer to David J. Vogel (2005); The message of Chris Laszlo's *The Sustainable Company* is that "an integrated economic, social, and environmental approach leads to more enduring shareholder value...It is a long-term strategy, uniquely relevant to the twenty first century, in which responsible social change can become a source of innovation and profits rather than added cost". Starbucks also focuses on long-term competitive potential with "Do well" and has strong commitment to environmental issue.

### 3.2 Environmental Mission Statement

Starbucks is one of the leader companies which committed to a role of environmental leadership in all facets of business. Following are seven commitments that Starbucks uses to fulfill Environmental mission.

- Understanding of environmental issues and sharing information with our partners.
- Developing innovative and flexible solutions to bring about change.

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- Striving to buy, sell and use environmentally friendly products.
  - Recognizing that fiscal responsibility is essential to our environmental future.
  - Instilling environmental responsibility as a corporate value.
  - Measuring and monitoring our progress for each project.
  - Encouraging all partners to share in our mission.

3.3 The most importance guideline that Starbucks uses to prevail is Corporate Social Responsibility. Starbucks defines corporate social responsibility as conducting business; *“For us corporate social responsibility is not just a program or a donation or a press release. It’s the way we do business every day.”* (Starbucks fiscal 2006 report)

**4) *Partnerships & Resources:*** Starbucks developed code of conduct name C.A.F.E. Practices for to ensure that Starbucks coffee comes increasingly from suppliers who treat their workers well, pay them a decent wage, and respect their rights. Fair Trade.

**5) *Processes:*** Organizational capabilities are key intangible assets. You can't see or touch them, yet they can make all the difference in the world when it comes to market value. Developing the capability or having the competency to respond effectively to changing customer needs ensures survival of an organization and maintaining sustainable competitive advantages (Ramlall, 2006). Company’s core competencies are able to produce a variety of business products in order to create ultimate value for the company.

According to Schultz, “We’re not just selling a cup of coffee, we are providing an experience.” While coffee is Starbucks core product, the company markets, sells and/or licenses a broader range of products, including Tazo® tea, Starbucks Entertainment CDs (special jazz and blues CDs), Ethos™ water, Starbucks™ liqueurs and Starbucks® ice cream, food and dairy items and brewing equipment and merchandise (CSR 2007). Starbucks succeed in building a unique culture, creating the Starbucks experience for customers, according to Howard Schultz, “We are not just selling a cup of coffee, we are providing an experience”, Customers feel Starbucks like the third place, after home and office, because of the friendly atmosphere and personal service...

#### 4.2 “Results” criteria

**6) *People Results:*** The traditional dominant logic focused on tangible recourses, embedded value, and transactions. Over the past several decades, new perspectives have emerged that a revised logic focused on intangible resources, the co-creation of value, and relationships (Vargo

and Lusch, 2004). Consumers do not buy goods or services, but rather purchase offerings that render services, which create value (Gummesson, 1995)<sup>14</sup>

Starbucks always operated with following mission statement in mind, always see stakeholders as a source of competence. Howard Schultz noted that “the way we have built our company by including the success of the company with everyone in it and not leaving our people behind is a great example of building a business the right way”. Joseph A. Michelli pointed out that “right way” means truly turning employees into partners -shareholders with a stake in the outcome of the company. In the innovative firm, CSR is the most significant to build up customer satisfaction and “that customer satisfaction partially mediates the financial return to CSR” (Enquist, Edvardsson, and Petros Sebhatu, S, 2008, p.3). People want to buy goods because they provide services and Starbucks known its staffs especially baristas, person who has knowledge and skill how to make a coffee, are the key to represent the company’s service because they are connecting and creating relationship with the customers every day the same time they are trying to satisfied customer more by let them create value by themselves. For example, customer can customize as they please about Starbucks cup (e.g. nonfat milk).

Another important thing is Starbucks tries to be in partner’s mind. Starbucks offer benefits, create future job opportunities to partners. Omollo Gaya, a Starbucks partner who immigrated to the United States from Kenya. *“I cashed in my Starbucks stock options after six years, and took the \$25,000 profit to build a new four-bedroom house for my mother. This is my company. I am the owner, and I am responsible for creating greatness here”*. Starbucks has done its job of both linking company profits to its stakeholder’s profits.

Coin always has two sides. Although Starbucks takes a lot of care about their employees betterment but it has different stories about CSR from employees to tell.

Starbucks has demonstrated conclusively its intense hostility to the right of workers to join a union. Starbucks investigation Daniel Gross, the member of IWW (now he is working in IWW Starbucks Workers Union and StarbucksUnion.org.) and issued Daniel a blatantly discriminatory performance. According to New York Times; Starbucks ordered to end discriminatory treatment towards workers who support the unions. Daniel Gross is one of three fired illegal baristas the reason only because they are the member of another union. The Starbucks Workers Union (SWU) is the organization was set up by Starbucks workers who want company pay more attention to workers for living wage, secure work hours, and respect on the job. The total number of full-time hourly cafe employees at Starbucks is zero. All baristas are part-time and not a single one is guaranteed any number of work hours per week. *“Behind the green aprons and smiles are individuals living in serious poverty,”* said Daniel Gross, a worker at the store. *“Baristas are the cornerstone of a Starbucks coffee shop, we just deserve better.* Starbucks cashes in on a

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<sup>14</sup> Bo Edvardsson, Anders Gustafsson and Inger Roos (2005), Service portraits in service research: a critical review, International Journal of Service Industry Management, Vol. 16, No 1, pp 107-121.

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community friendly image but it certainly doesn't extend to their workers or coffee farmers. That's why employees went Union." From Starbucks behind the brand, Starbucks has succeeded in the social responsibility game. In fact, no corporation plays the game better than Starbucks. The average wage for Baristas at Starbucks is \$7.75 per hour and union workers earn 30% more each week than non-union workers while Howard Schultz is worth \$1.1 billion.

**7) Customer Results:** Customers able to customize their own beverage order to staffs. Consumers do not buy goods or services, but rather purchase offerings that render services, which create value (Gummesson, 1995).<sup>15</sup> "There really are, Schultz say, Starbucks across the street from each other. They do that to cut down on the lines. Starbucks says it has 40 million customers a week and the company brews 227 million gallons of coffee a day" (60 minutes). At the end of fiscal 2007, Starbucks were serving customers around the world approximately 48 million times per week. The number of retail stores in fiscal 2007 is 15,011 stores in 43 countries. These can be the good measurements for what the Starbucks is fulfilling to its targeted customers.

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<sup>15</sup> Bo Edvardsson, Anders Gustafsson and Inger Roos (2005), «Service portraits in service research: a critical review», *International Journal of Service Industry Management*, Vol. 16, No 1, pp 107-121.

## What are all about H&M?

Figure 7: H&M Logo

### 1. History and

**Hennes** & clothing company opened the first since 1947. The



### Company Profile

**Mauritz AB** is the full company's name of Swedish H&M. The founder of H&M, Mr. Erling Persson was store in Västerås, Sweden more than sixty years ago idea came to Persson during a business trip to United States where he was amazed at the success of retailers like Macy's in New York and the concept of clothes stores selling stylish garments at low prices<sup>16</sup>. Initially, Persson only sold women's clothing and the brand was called Hennes, it means 'her' in Swedish language. In 1968, Persson bought Mauritz Widforss, a hunting store located in Stockholm. A stock of men's clothing came with the store, so the company began selling both men's and women's clothes and changed its name to Hennes and Mauritz.<sup>17</sup> Later on the company was rebranded to H&M in order to easier for customer's perception. Today H&M products are clothes, accessories, footwear and cosmetics for women, men, children and teenagers.

In 1980's, H&M the founder's son, Stefan Persson, became a Managing Director, he has continued to rapidly expand, focus on improving quality, advertising and reducing operation costs. Today H&M is known as a Swedish fast fashion retailer because of its collections which are designed and produced quickly based on Fashion Week trends from every year. According to H&M sustainability report 2008, today H&M has expanded around 1,700 retail stores into 34 countries, in 4 regions which are Europe, North America, Asia and Middle East, and has 73,000 employees working worldwide, out of which 53,430 are full time employees. According to H&M's strategy, stores are the most importance sales channel. They always located their stores in the best business location in order to offer customers a convenience. Another channel to communicate with customers is the catalogues and the internet. (H&M offers fashion via Internet in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria)

From five years summary<sup>18</sup> the company recorded revenues in Fiscal Year 2008 of SEK88, 532 million, increases of 13% over 2007. The net profit was SEK 15, 294 million increases of 12.6% over FY2007 as we show in H&M Figure1. The biggest market of H&M, the world's third-biggest clothing retailer by sales after Gap Inc and Zara owner Inditex<sup>19</sup>, is Germany.

<sup>16</sup> <http://www.casestudyinc.com/H&M-Japan-Case-Study.html>

<sup>17</sup> <http://company.monster.ca/hmhenca/>

<sup>18</sup> [http://www.hm.com/gb/investorrelations/fiveyearssummary\\_\\_fiveyearssummary.nhtml](http://www.hm.com/gb/investorrelations/fiveyearssummary__fiveyearssummary.nhtml)

<sup>19</sup> <http://news.stv.tv/business/96556-hm-april-sales-rebound/>

## Company Profile

Figure8: H&M company fact Sheet

<b>H&amp;M Company Profile</b>	
Founded	In 1947
Headquarter	Stockholm, Sweden
Industry	Fashion
Products	Clothing, cosmetics
Net revenue	SEK 88,532 million (2008)
Net profit	SEK 15,294 million (2008)
Number of retail stores	1,738 stores
Employees	53,430 (FTE, 2008)

H&M does not manufacture any clothing by itself but using suppliers do it instead. In fiscal 2008 H&M is working with 800 suppliers which stand for around 2,700 production units. “We do not own or operate any factories producing our goods, but instead work with approximately 800 suppliers and around 2,700 production units in total, mainly in Asia and Europe (H&M sustainable report, 2008).” By using the best suppliers H&M can offer high fashion collections with good quality and unbeatable price to customers. Another word is the outsourcing business-model makes H&M able to keep low prices at the same time as it offer high fashion.

### 2. H&M's Model

Business philosophy or business concept of H&M, the world's third-biggest clothing retailer, is to offer “*Fashion and quality at the best price*”. This “Quality” is not only mention to final products but has expressed to all of company’s manufactured system start from raw materials, material processing, product manufacture, transport, sales and the final is use. On the other hand it means H&M gives the meaning of quality related widely to good working conditions (e.g. labor’s good life) and environmental control (e.g. operating with the minimum use of resources, reducing the environmental impact, have commitment with suppliers such as H&M’s Chemical Restrictions).

The best price is achieved by:

- having few middlemen
- buying in large volumes
- having a wide, in-depth knowledge of design, fashion and textiles
- buying the right products from the right market
- being cost-conscious at every stage
- having efficient distribution

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## ***2.1 Code of conduct***

According to the H&M Code of Conduct, most important is H&M's responsibility towards all of thousands of workers in the garments section to make sure everyone behind the company's success have to be treated with respect. Simply stating, H&M's code of conduct focuses on good working conditions.

All employees at H&M are the key to make their business concept possible, but as we know H&M does not own any production factories but uses independent foreign suppliers instead. H&M believes that if their suppliers embrace their Code of Conduct it is an investment in the future (Classon and Dahlström, 2006). H&M also believe that their suppliers can gain more benefit from using Code of Conduct for improving worker's life such as decrease operation costs by reduce over time.

H&M's Code of Conduct was drawn up in 1997 which is based on the ILO conventions and the UN Convention on the Rights of the Child, in order to make suppliers, production outsourced, staffs and any other parties understand what is acceptable to H&M and what is not, they needed to follow the same requirements. According to H&M sustainable report 2008, H&M created and distributed a new code of conduct from six to eight sections to increase understanding of the Code among independent suppliers covering;

1. Legal requirements; mentioning that suppliers must always follow the national laws in any countries they are operating.
2. Child Labor;
3. Safety;
4. Worker's rights;
5. Factory conditions;
6. Housing conditions;
7. Environment;
8. Monitoring and Enforcement;

## ***3. H&M's Strategy***

In the increasingly competitive fashion retail market, a combination of fashion know-how, unbeatable price and organizational efficiency has propelled H&M to the top of the pile.<sup>20</sup> The strategy is to grow whilst maintaining good profitability and control. H&M's growth target is to increase the number of stores by 10-15 percent per year. In 2008 H&M opened 214 stores since 2002 sales including VAT have increased 95 percent and profit after tax increased 169 percent

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<sup>20</sup> [http://www.innovaro.com/inno\\_articles/HM%20hr.pdf](http://www.innovaro.com/inno_articles/HM%20hr.pdf)

(H&M annual report 2008). The highlight of the spring was H&M's big fashion show in New York, where the world's fashion elite gathered in Central Park to get a glimpse of H&M's autumn collections.

As we know that H&M is the world's third-biggest clothing retailer by sales but *how H&M to grow up from the single store in such a small town of Sweden like Västerås becomes an expansive and financially strong fashion company with more than 1,700 stores in 34 countries in today?*

We found out that because H&M is the innovative company which has strong management in production and logistic lines. H&M is driven by values such as salesmanship, simplicity, constant improvements, cost-consciousness and entrepreneurship (Part I. H&M in Words and Pictures 2008). The innovation drivers like sales channels help H&M meet customer more often, faster and easier, they are catalogues, intranet and stores but the most important sale channel is still be the store.

### ***3.1 Innovation drivers***

Online clothes shopping: H&M has always been trying hard to offer more convenient ways for its customer. One of successful channels apart from the primary channel i.e. stores is Online Shopping, another one is catalogue sales to deliver fashion at home. Especially for Nordic countries or Scandinavian customers who are the core value for the company. Now this service is available not only for the Nordic region but also for the customers who live in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria. H&M also has MySpace and Facebook pages which full of the amount of fans.

High quality products without the price tag: As we have talked earlier, H&M does not own any production factories but H&M has its own designers. H&M employs more than 100 designers and some guest successful fashion designers to show customers that fashion and design are not matter of price; customers can wear clothes in the same feeling as they walk out from the cat walk with a good price everyone can reach.

Collaboration with icons and designers strengthens the brand. Famous fashion designers were invited to make a special limited collection for H&M such as Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli and Comme des Garcons.

### ***3.2 Efficient Management***

H&M has success in efficient production and logistics management, start from the idea to store, the first step is design, this stage is the place where to meet between designers, pattern maker and customers demand. From the idea, which focused and based on customer need, become an inspiration create the different trends collection response for the different demand of customer. The next step of producing is planning and buying via the buying office which located in Stockholm, Sweden. H&M added value to every stage.

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- **Planning and Buying:** H&M has to plan for any activities that will happen to make sure that every process will be smooth such as limited amount of some collection will be sold only in the big city's stores or the different number of colleague (employees) for designer team in different seasons. H&M buying office, in Stockholm, Sweden, is the center of organization which is responsible for designing, planning and purchasing.
  - **Production:** after purchasing, the office in Stockholm makes design decisions, H&M's 18 production offices around the world are responsible to choose the right suppliers and allocate production which combine quality, price, quantity, lead time, flexibility and the supplier's ability to live up to H&M's CSR requirements<sup>21</sup>. Because H&M does not own any factories, H&M purchased garments from around 800 independent suppliers around the world, manufactured products in 2,700 production units by estimate mainly in Asia and Europe.
  - **Logistics and distribution to stores:** H&M is focusing on the logistics interfaces towards external suppliers to match the increase in sales and new shop (Arlbjørn, Halldórsson, Spens and Jahre, 2008)<sup>22</sup>. According to functioning logistics "*getting the right item to the right store (country) at the right time.*" is the key to H&M efficient management. The fastest is not always the best instead reliability and greenest method is more important than speed. In order to make stores are refreshed daily with new fashion items possible H&M handles millions of items each year. Thank for IT developing help any single stores keeping in touch with the logistic supply chain.

#### 4. H&M and CSR

At H&M, CSR is mainly about the responsibility for worker conditions, such as ban child labor, which suppliers have to follow. H&M creates an image for itself as responsible company. In order to create and maintain effective relationships with all stakeholders and customers, CSR is the cornerstone of its operations.

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<sup>21</sup> H&M in brief

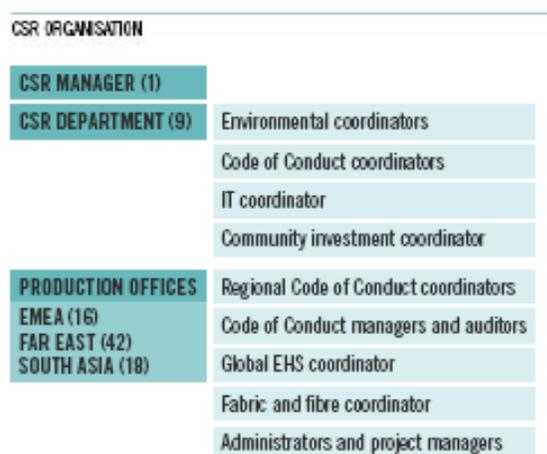
<sup>22</sup> Northern Lights in Logistics & Supply Chain Management, Jan Stentoft Arlbjørn, Árni Halldórsson, Karen Spens, Marianne Jahre, [http://books.google.com/books?id=kc008\\_oUTSoC&pg=PA59&dq=H%26M+vs+Zara:+Competitive+Growth+Strategies&lr=&source=gbs\\_selected\\_pages&cad=2](http://books.google.com/books?id=kc008_oUTSoC&pg=PA59&dq=H%26M+vs+Zara:+Competitive+Growth+Strategies&lr=&source=gbs_selected_pages&cad=2)

In 1997, H&M started their CSR activities and also drawn up the code of conduct in the same period. According to the book; *Global Practices of Corporate Social Responsibility* (Idowu S. and Filho W., P 114, 2009) the background of engagement CSR and the code of conduct was happened when H&M and other similar retailer such as Nike were questioned about conditions at the factories of their subcontractors. Back to December 1997, Swedish TV documentary was accusing H&M of founding subcontractor using child labor in Philippine and after this documentary broadcast Margareta Winberg, the then Minister of Labour in Sweden and Annika Ahnberg, a member of the cabinet, official declared were boycott H&M's products and many of Swedish followed both of them.

H&M then restored its image by initiated CSR activities to improve the labour condition and later on H&M has commitment to integrating Corporate Social Responsibility (CSR) (include the environment and union right) into business operations to reduce negative impacts and maximize positive ones in the same time.

#### 4.1 H&M CSR Organization

Figure 9: H&M CSR Organization



H&M has 10 staffs coordinate its sustainability activities for CSR from the head office in Stockholm. The CSR department at head office is independent component with five coordinators, One IT administrator and One Head of CSR who is also the member of Board, Ingrid Schullström, and reports directly to the CEO. As Anna Nilsson, Swedbank Robur, Sweden said; *"H&M of today aims for transparency and is involved in stakeholder dialogues, joint initiatives and reports in-depth on their CSR work. The Company also reports on negative aspects and challenges and gives room for its critics to express their views."*<sup>23</sup>

<sup>23</sup> CSR Report 2008

The Production offices has 76 team members around the globe among which 60 of them are auditors and another 16 are regional coordinators who inspect the work to make sure that foreign independent suppliers are under H&M's code of conduct and when auditors make decisions the buying organization must respect. Actually H&M says they put CSR in all of their operation or we can say that H&M put itself as a responsible company which has strong support from the top management.

#### ***4.2 What is H&M's new CSR strategy?***

“In 2008, we developed a new sustainability strategy under which sustainability will be considered in all departments within the company and responsibility for it shared by all H&M employees.” Rolf Eriksson, H&M CEO.

H&M's sustainability vision is to succeed by being a good company operating in the way that engaged environmentally, socially and economically sustainable together both in the present and future. The new focus on H&M's CSR sustainability in 2008 is on every level (environment, social issues and economics) share with every employee not just a corporate department.

Organic cotton

#### ***5. H&M with EFQM Excellence Model***

The EFQM Model has ‘enablers’ and ‘result’ criteria. Whether results are good or not depends on the enablers. On the other hand we can say if company has good enablers, company will have excellent results.

“Enablers” criteria

1. Leadership
2. People management
3. Policy and Strategy
4. Resources
5. Processes

“Results” criteria

6. People Satisfaction
7. Customer Satisfaction
8. Society Results
9. Key Performance Results

## **EFQM CSR Frameworks Business Case: H&M**

### **EFQM Framework for CSR- Criteria 1 & 9 (Leadership & Key Performance)**

The most important enablers are Leadership and Process (Nabitz U., Kiazinga N. & Walburg J., 2000). Relate to Erling Persson, the founder of Swedish biggest fashion retailer Hennes & Mauritz, is one of Sweden's great pioneers. Erling made a new perspective and put experience for the customer who purchased his clothes like once he announced when he opened the first Stockholm branch in 1950 that *he is selling clothes to girls who do not want to look like their mothers* and then in 1960, Hennes (the old company's name) was the Swedish's most popular women's retailer. From Erling's idea H&M became one of the first retailers to offer shoppers the clothes that look like they have come off from catwalk but with the cut rate prices. Since Stefan Persson took over the managerial director position in 1982 he worked towards quality improvement and reduction of operating costs also work more hard with created advertising campaigns for increasing brand's perception such as designer collaborations. In 2000 he continued expanding stores in Europe and entered to the new market, USA. He entered the first store in US and H&M turnover in 2002.

H&M focuses on outsourcing production by controlling efficiency and flexibility throughout every supply chain. Thus H&M is able to respond quickly and successfully to changes in fashion trends. By a combination of fashion know-how, unbeatable price with high quality products and organizational efficiency, H&M is one of the most famous fashion brands that popularity among customers. H&M created clearly business concept which aim to offer customer a high fashion clothes with unbeatable price come along with high quality. The target group is widely, including women, men, teenagers and children particularly those in younger age groups.

According to H&M 2008 in figures; H&M's financial performance over the past five years, since 2002, has been impressive with sales including VAT has increased by 95 percent and profit after tax by 169 percent. In 2008 H&M opened 214 stores which 5 new different markets; Japan, Egypt, Oman, Bahrain and Saudi Arabia. H&M does not own any manufactured firms but buys goods from 700 independent foreign suppliers through around 2,700 production units mainly in Asia and Europe. The number of production units relate directly to orders from H&M which can show the large quantity of products.

So we can see enabler 'Leadership' effected to result 'Key Performance' thus *Executives at H&M are passionate about their company. They are fastidious about its products and proud of its achievements. They are also sharply focused on its goals and are confident of its ability to achieve them. They are also very ambitious, and constantly challenge the established clothing habits of its consumers. In doing so, they display a great deal of energy and enthusiasm. They attract publicity using bold and striking advertising and by regularly enlisting high profile designers and celebrities to reinforce the company's brand and image. Also, H&M has built a strong product concept, which has been successfully established in a growing number of countries.*<sup>24</sup>

<sup>24</sup> <http://www.prlog.org/10036544-profile-of-pioneer-of-fast-fashion.pdf>

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### **EFQM Framework for CSR- Criteria 2&6 (People management & People Satisfaction)**

What is the key to H&M's success? Rolf Eriksson, CEO of H&M; "Basically it's our business concept: fashion and quality at the best price. But it's our employees that make it possible. (Part I. H&M in Words and Pictures 2008, P.7).

H&M's CSR committed employees are essential to H&M's ability to grow and continue to be highly profitable. At the financial year-end 2008, H&M employed about 73,000 people. Converted into full-time positions the number was 47,029, 80 percent of whom were female.

Colleagues must have opportunity to grow with the company because H&M believe that every individual colleague (workers) has power to make company goals possible. An important ingredient in creating an attractive work-place is that the staff can develop with the company.<sup>25</sup> To develop colleague's performance H&M offers internal training to them to make opportunity for their career.

H&M aims to be a good employer even in countries where laws and regulations do not live up to H&M's requirements. The entire business must be characterized by a fundamental respect for the individual, which applies to everything from fair pay, reasonable working hours and freedom of association to the opportunity to grow and develop within the company.<sup>26</sup>

The following sentence can explain how related are between People management and People satisfaction.

"The keywords for continued growth are responsibility and commitment", says Pär Darj, Head of H&M's HR, "We have committed employees and we are prepared to delegate responsibility at every level. I usually tell employees, *'If you don't grow, neither will H&M.'*" (Part I. H&M in Words and Pictures 2008, P.34).

### **EFQM Framework for CSR- Criteria 3 & 7 (Policy and Strategy & customer satisfaction)**

Making quality fashion and personal style possible for everybody is the cornerstone of H&M. The target group is widely including women, men, teenagers and children. H&M is a brand that knows that what works best for both its customers and the company, its business concept is to offer customers fashion and quality fashion at the best price. In order to response customer expectation and satisfy customers need, H&M put 'customer service' link on H&M home page which the place that customer can leave the questions, suggestion, complain or searching beneficial information from company such as product recalls or size charts etc.

H&M cover CSR issues in all internal communication channels such as intranet, H&M fashion magazine. Being associated positively with CSR leads to more customer satisfactions and

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<sup>25</sup> [http://www.hm.com/us/abouthm/factsaboutm/ouremployees\\_\\_ouremployees.nhtml](http://www.hm.com/us/abouthm/factsaboutm/ouremployees__ouremployees.nhtml)

<sup>26</sup> [http://www.hm.com/gb/abouthm/factsaboutm/ouremployees\\_\\_ouremployees.nhtml](http://www.hm.com/gb/abouthm/factsaboutm/ouremployees__ouremployees.nhtml)

increase buying. The good example is back to December 1997, after Swedish TV documentary found and broadcast about using child labour in Philippines Swedish people were boycott H&M's products. And that time was the chronicle of H&M code of conduct. Today clients are not buy only products but they look deeply to the process which should be friendly with environment and society.

#### **EFQM Framework for CSR- Criteria 4, 5 & 8 (Resources, Processes & Society Results)**

Ingrid Schullström is the environmental and CSR Manager at H&M, she began working with H&M's CSR actives since 1997. The basic idea of H&M's CSR efforts is to succeed by being a good company. In 2008 H&M lunched the new CSR strategy; it is sustainability strategy; which means *CSR is no longer just a corporate department but an issue for every employee.* (Part I. H&M in Words AND Pictures 2008, P37)

On the other hand we can say H&M put itself as a responsible company which has strong support from the top management in CSR organization. Sustainability refers to environment, social issue and economics. At H&M, CSR is mostly connected to maintaining company's supply chain to provide products with high quality as business concept. The Code of conduct's requirements is the heart of business production because H&M working with 700 independent suppliers. In order to keep profit for both of H&M's employee and subcontracts.

**IKEA****1. History and Company Profile**

IKEA, an acronym from the names of the founder, Ingvar Kamprad, and his farm Elmtaryd and village, Agunnaryd, began its operation in Sweden in 1943. Since then, IKEA has continued to operate under its original ethos which base upon cost obsession fused with design culture. At this time, Ingvar Kamprad sold things ranging from wallets to pens to nylon stocking by going door to door.

In 1945, IKEA advertisements began showing in the local newspapers, and the first ever IKEA catalogue was developed. IKEA's furniture range was shown in

**1.1 IKEA Timeline**

- 1958** -The very first IKEA store opens in Älmhult
- 1960** -The first IKEA restaurant opens in Älmhult, Sweden
- 1965** -IKEA introduces the Selfserve Warehouse
- 1968** - IKEA buys its first computer
- 1976** -The IKEA bistro makes its appearance at the store exit
- 1978** -BILLY bookcase is launched
- 1983** -IKEA introduces food shops selling Swedish specialties
- 1984** -IKEA Family customer club is launched
- 1989** -IKEA recruits its first environmental manager
- 1990** -IKEA formulates its first environmental policy
- 1991** -IKEA buys sawmills and establishes Swedwood
- 1994** -IKEA initiates collaboration with Save the Children
- 1998** -IKEA starts the Sow-a-seed project to replant rainforest in Borneo
- 1997** -The Children's IKEA range is launched
- 2000** -Internet shopping starts in Sweden and Denmark -IKEA and UNICEF start a joint project to combat child labour -IKEA introduces its code of conduct, IWAY- IKEA starts various environmental projects with WWF
- 2006** -Sales start of IKEA branded food products
- 2007** -IKEA and WWF start to work on climate issues

**1.2 The Ikea Group**

The founder of Ikea, Ingvar Kamprad, wanted to create an ownership structure and an organization that stand for independence and a long-term approach. That is why, since 1982, the

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Ikea group has been owned by a foundation. Ingvar Kamprad retired from group Management in 1986 and today acts as advisor to the parent company.

**Stichting Ingka foundation** is the foundation that owns the IKEA Group. It is based in the Netherlands.

**Ingka Holding B.V.** is the parent company for all IKEA Group companies, based in the Netherlands. Members of the Supervisory Board are: Göran Grosskopf (Chairman), Mathias Kamprad, Lars-Johan Jarnheimer, Göran Lindahl, Carl Wilhelm Ros, Bruno Winborg, Magdalena Gerger. Ingvar Kamprad is Senior Advisor.

**Ikea group Management:** Anders Dahlvig (Group President and CEO), Ian Duffy, Sören Hansen, Peter Högsted, Lars Gejrot, Pernille Lopez, Torbjörn Lööf, Mikael Ohlsson, Josephine Rydberg-Dumont, Göran Stark, Werner Weber.

**Ikea services B.V. and Ikea services AB** with nine staff units in the Netherlands and Sweden support the work in all Group companies – from the Swedwood industrial group to the sales companies that own the stores in the respective countries.

**The Ikea Group** has 231 stores in 24 countries, 45 trading services offices in 31 countries, together with 31 distribution centers and 11 customer distribution centers in 16 countries.

**The Number of Co-Workers** in the IKEA Group is 118,000 in 40 countries.

**The Ikea Range** comprises 9,500 products that are the same in all IKEA stores.

**The Swedwood Group** is the IKEA industrial group with 14,800 co-workers and 38 factories and sawmills in 11 countries.

**Ikea Suppliers** number 1,350 in 50 countries.

**The Ikea Catalogue** is printed in over 191 million copies in 27 languages and 56 editions.

**The Ikea Websites** attracted around 450 million visits.

## ***2. IKEA'S BUSINESS PHILOSOPHY***

*“If retailers are to succeed in an overseas market, they must not only master the traditional skills of market segment cultural and economic traditions of the host country.”*  
(Ingvar Kamprad, quoted in Annual Report 1993)

Ikea does not own any manufacturing facility; instead, it subcontracts manufacturers around the world for its supplies. On the other hand, all R&D activities are centralized and carried out in Sweden. *“Ikea shoppers are Pro-sumers - half producers, and half consumers”* (Normann, 1993: 70). This means that they have to assemble the product themselves. In order to facilitate its shoppers, Ikea provides tape measures, pencils for measurements and writing notes and Ikea’s catalog. Car roof racks can be bought from the stores at cost price, and Ikea’s pick up vans can be rented to transport purchases (Economist, 1994: 101).

Ikea's mission is to offer a wide range of home furnishing items of good design and function, excellent quality and durability, at prices so low that the majority of people can afford to buy them (IKEA 1994).

Ingvar Kamprad believes that: *“Most things still remain to be done - a glorious future! Time is your most important asset. Split your life into 10-minute units and sacrifice as few as possible to futurities”*. (McIvor, Laurence, 1994: 38).

This is the foundation of the corporate culture at Ikea starting from the design team to the suppliers and till the customers. Bureaucracy is fought at all levels in the organization. Kamprad believes that *“simplicity and common sense should characterize planning and strategic direction”* (Bartlett et Al, 1993: 78).

### **3. IKEA and CSR**

#### **3.1 The IKEA Concept**

##### **Vision**

*“To create a better everyday life for the many people”*

#### **3.2 Ikea’s CSR Commitments**

##### **Mission Statement**

*“To make products which have minimum impact on the environment and to manufacture them in a socially responsible way”*

Ikea’s CSR policies and commitments actually became visible in 1998, when IKEA created the “Voluntary Code of Conduct”, the *IKEA Way*

##### **Criticism Faced by IKEA**

81-92 → Product safety and environmental issues in Europe

92-97 → Child labour in Pakistan, India, Vietnam and Philippines

98 → Lamentable work conditions in IKEA supply chain

98-99 → Pressures from environmental groups related to wood procurement issues in Russia and Indonesia

1999- ... → Criticisms on the code of conduct implementation in suppliers' factories (wages levels, freedom of association, work hours...)

### **Reactive Behaviours from IKEA**

- Programs of action which aimed at dodging risks, latent detractors criticisms and the anticipated effects which can prove to be harmful to the organizations reputation.
- Giving importance to external stakeholders to develop and enforce socially responsible buying practices, codes of conduct and agreements :
  1. Code of conduct based on a 1996 IFBWW-IKEA agreement
  2. Collaborations in social and environmental matters

### **Proactive Behaviours from IKEA**

Incorporate environmental demands as Ikea's management philosophy and corporate culture. Ikea does not consider its CSR policies as a reaction to the scandals and the criticisms brought on due to certain issues.

IKEA has always presented itself as a very CSR concerned company. Results of which are:

- speed of reaction
- humble attitude
- increasingly proactive behavior

### **Delimitations finding CSR strategies of IKEA**

IKEA has always kept a low profile regarding its CSR activities. The central belief at IKEA has always been "little publicity is good publicity". Ikea prefers cautious progress by focusing more on actions instead of communication in CSR matters. Although, IKEA publishes its annual social and environmental reports which are a good source of knowing about Ikea's CSR activities.

### **Stakeholders Reactions to Ikea's CSR Communication**

#### 1. Customers

Customers generally perceive IKEA as not a very proactive organization when it comes to communicating CSR activities. There is a general feeling of not being informed on Ikea's CSR policies. Generally, there is a positive perception regarding Ikea's CSR policies and commitments among consumers, and has no influence on buying behavior of customers.

## 2. Stakeholders

The general perception of Ikea's CSR commitments amongst stakeholders' is relatively favorable. However, there are some differences seen in regard to the type of the stakeholder considered.

- Partner organizations, public administrations & Trade Unions – Good perception of Ikea's CSR policies and commitments.
- Organizations which only have access to Ikea's external sources of information on their CSR policies have a critical and a skeptical attitude.
- Ikea lacks a structured dialogue with the stakeholders' regarding its CSR policies, which brings a great demand of transparency from majority of the stakeholders', in our opinion, this would play a very positive role in developing positive attitudes.

## 4. IKEA's CSR strategies in light of the EFQM model

*“IKEA is a leader in setting high environmental standards for its product. That means employing strict manufacturing methods and supply processes so that materials, technologies and transportation have the least damaging effects on the environment.”*

**- Rene Hausler, Partner, IKEA-San Diego Franchisee.**

The Swedish based IKEA Systems BV in 2005 received the award for Outstanding Sustainable Style Achievement (OSSA).<sup>27</sup> This honor was given for eliminating the treatment of Polybrominated Biphenyl Ether (PBDE), which is a toxin used in furniture manufacturing. Before that, in 2004, Ikea received the award for excellence<sup>28</sup> (BUPA Health Communities Award). This award is given by the Ministry of Health in UK. This award was given to Ikea for its initiatives to tackle unemployment issues in Bristol, UK and also for developing programs to curb crime.

Social Responsibility:

*“We consider IKEA to be setting an excellent example for other corporations to follow. IKEA is prepared to go further than just saying “no” to a supplier who exploits children. The company is showing a genuine interest in bringing about improvement for children by assuming a responsibility for child labor issues.”*

-Ingvar Hjärtso, UNICEF Representative

<sup>27</sup> The Outstanding Sustainable Achievement Award (OSSA) recognizes Social and Environmental efforts across diverse style and design industries.

<sup>28</sup> “IKEA,” [www.bsglobal.com](http://www.bsglobal.com), 2001.

Ikea started acting as a socially responsible company right from its inception. The main emphasis of Ikea's social initiatives has been on children and better living.

- August 2000, Initiated the Child Rights Program in India in collaboration with UNICEF.<sup>29</sup>
- Ikea and UNICEF collaboration with (CREDA).<sup>30</sup>
- Association with UNICEF since mid 1990's. Apart from major country projects in various under developed countries, Ikea has been supporting UNICEF by selling UNICEF products and greeting cards.
- Ikea's association with "Save the Children".<sup>31</sup>

### ***IKEA with EFQM CSR Frameworks***

#### **Business case: IKEA**

##### 1. LEADERSHIP IN ENVIRONMENTAL RESPONSIBILITY

According to Russel Johnson, Head of Quality for IKEA, *"If people see IKEA as a company that is polluting the environment, creating wastes or emissions, or wasting resources, then we are not living up to our mission. That's a very strong matter. We are meeting customers' face to face every day. As a company built on the mission to create a better everyday life for the majority of people, of course we must take environmental issues seriously."*<sup>32</sup>

##### 2. POLICY & STRATEGY

A values based company such as IKEA uses CSR as a part of its overall strategy of interaction with its stakeholders for the co-creation of customer and stakeholder value (Enquist et al., 2006). Although, for this to work effectively, the core corporate values and the CSR values of the organization have to complement each other.<sup>33</sup>

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<sup>29</sup> The United Nation's Children Fund employs almost 7000 people from 157 countries worldwide. It is an international Organization which works for children's rights, their protection and development.

<sup>30</sup> CREDA Center for Rural Education and Development Action in India is an agency working for education of girls.

<sup>31</sup> Established in 1919, Save the Children is an independent agency based in US. It is a member of the International Save the Children Alliance, consisting of 27 national Save the Children organizations working in more than 100 countries.

<sup>32</sup> The Natural Steps: Organizational Case Summary: IKEA," [www.naturalstep.org](http://www.naturalstep.org), Feb 1998.

<sup>33</sup> Edvardsson, B. and Enquist, B. (2009) Values-based service for sustainable business – Lessons from IKEA, Routledge

## Ikea's Environmental Strategies

*“Ikea is a leader in setting high environmental standards for its products. That means employing strict manufacturing methods and supply processes so that materials, technologies, and transportation have the least damaging effects on the environment.”*

**-Rene Hausler, Partner, IKEA-San Diego Franchise**

Key areas which are examined as part of the current environmental strategy are:

- Environmental management
- Paper (use of resources)
- Energy and transport (climate change)
- Emissions to air – VOC (Air quality)
- Emissions to water – COD (Water quality)

### KPI

#### Renewable materials used in products

fY03	fY04	fY05	<b>FY06</b>	fY09 goal
n/a*	n/a*	n/a*	<b>70%</b>	75%

#### Waste recycled, reclaimed or used in energy production

	fY03	fY04	fY05	<b>FY06</b>	fY09 goal
stores	73%	77%	80%	<b>80%</b>	90%
distribution centres	78%	80%	86%	<b>86%</b>	90%

#### Recovered or reused products in IKEA stores

fY03	fY04	fY05	<b>FY06</b>	fY09 goal
61%	64%	65%	<b>64%</b>	75%

Source: Ikea's Social & Environmental Reports

## Environmental Policy

The three most important aspects of Ikea's environmental policies are:

1. Efficient use of resources by producing lesser wastes and emissions.
2. Extensive use of wood, for the reason wood can be recycled easily.
3. Training of employees for working on environmental issues.

## Focus areas for environmental CSR

### A. Transportation & Distribution

Due to heavy dependability of Ikea on transportation through trailers and trucks for distribution purposes, the company's transportation and distribution had a major impact on the environment through CO2 emissions.

## CO2 emissions caused by IKEA operations, tones CO2

	FY04	FY05	FY06	FY07
Scope 1	80,692	85,443	103,936	<b>84,070</b>
Scope 2	421,142	440,097	455,690	<b>514,656</b>
Scope 3	382,872	501,633	525,019	<b>590,000</b>
Total	884,706	1,027,173	1,084,645	<b>1,188,726</b>

**Scope 1** direct emissions from sources owned or controlled by IKEA.

**Scope 2** emissions from the generation of purchased electricity consumed by IKEA buildings.

**Scope 3** (goods transport only) indirect emissions from sources that are relevant to the IKEA business but that IKEA does not directly control.

(Source: IKEA Social and Environmental Responsibility Report 2007)

## Initiatives to Reduce Impact of Transportation on Environment:

- Smart Packaging
- Car pooling facilities for Customers & Employees.<sup>34</sup>
- Home Deliver Service, contracted to independent companies following Ikea's environmental policies.

<sup>34</sup> "IKEA Stoughton and Zipcar Team to create Unique Car Sharing Program," [www.zipcar.com](http://www.zipcar.com), December 08 2005.

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## 1. RESOURCES

### FORESTRY

Almost 75% of raw material used by IKEA for its catalogs, packaging and furniture came from timber. Therefore, forest conservation has been a major environmental issue in Ikea's CSR strategies. Ikea has been a member of Forest Stewardship Council (FSC)<sup>35</sup>, and due to consultations with this organization Ikea started sourcing its timber from well managed forests.<sup>36</sup> Ikea became a member of World Wildlife Fund (WWF) in 2002 to promote forestry with responsibility worldwide. China, being one of the major suppliers of timber to Ikea had been extracting timber from over utilized forests according to WWF studies, therefore, IKEA and WWF's main concern was to make sure that the forests in China were protected (See exhibit 2 for forest conservation activities by WWF and IKEA in China).

IKEA catalogs are made using wood as a raw material too. In 1991, IKEA in conjunction with Greenpeace started working towards finding a solution for this problem. For the sake of paper conservation, IKEA started using chlorine-free paper<sup>37</sup> for printing its catalogs.

#### **Waste Management**

*“At IKEA, we're moving toward a way of thinking based on the philosophy that everything we take should be used, reused and recycled, either by ourselves or nature, in such a way that causes the least possible harm to the environment.”*

Comment from the company's spokesman, Martyr Mason, on the decision to reorganize Ikea's business policies and develop rules to make certain better social and environmental practices not only within the company but also in regard to all the stakeholders.

IKEA has been moving towards its goals of waste management and waste reduction by repairing damaged products, recycling wasted and reusing the packaging material (See table 1 for percentages of wastes that are reused or recycled for production of energy at IKEA).

Every IKEA store has a “Waste Coordinator” who works towards energy conservation and waste recycling, and also trains employees on different environmental aspects.

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<sup>35</sup> The Forest Stewardship Council (FSC) is an international, non-profit organization to promote responsible management of the world's forest. It brings people together to find solutions to the problems created by bad forestry.

<sup>36</sup> Well managed forests are sustainable forests. These forests have the capability of providing bark, wood and roots from its ecosystem without degrading the forest's quality.

<sup>37</sup> Chlorine free paper is an environment friendly alternative to chlorine bleached paper.

**TABLE I****WASTES RECYCLED FOR ENERGY PRODUCTION AT IKEA**

Year	Europe	North America	Asia	IKEA Warehouses	All IKEA Stores
2003	77	57	59	78	73
2004	85	54	73	80	77

Source: IKEA Social and Environmental Responsibility Report, 2004.

According to Ikea’s spokesman, Joseph Roth, “During 2003 we recycled or reclaimed 73 percent of the waste coming out of our stores. Our goal is to get that number up to 90 percent by the end of 2005.”<sup>38</sup>

**Energy Conservation**

Ikea consumed a lot of energy for heating, electricity and air conditioning of its warehouses and stores. Ikea launched the “Kill a Watt Energy Saving Competition”. This competition was for all Ikea stores worldwide. By the time the competition ended, Ikea managed to save energy equal to the usage of 2000 households, or two Ikea stores annually. Ikea also uses alternative means of energy consumption such as solar electric panels and wind generators.

**Suppliers**

Ikea developed “*The IKEA Way on Purchasing Home Furnishing Products (IWAY)*” in September 2000. IWAY formulated a ‘code of conduct’ for Ikea’s supplier to comply with (See Table II for details of the Code of Conduct for Ikea’s Suppliers).

According to the Code of Conduct, suppliers for Ikea had to comply by the following:

- Legal Requirements
- Emissions
- Ground Contamination
- Chemicals
- Waste , Hazardous waste
- Fire prevention
- Worker’s health and safety
- Dormitories
- Wages, overtime
- Child labor

<sup>38</sup> “IKEA and the Environment”, [www.icsc.org](http://www.icsc.org), December 2004.

- Forced and bonded labor
- Discrimination
- Freedom of association and collective bargaining
- Harassment and abuse
- Continuous improvement
- Forestry, routines for procurement of wood
- Forestry, fulfillment of IKEA requirements and legislation
- Summing up all of Ikea's efforts of becoming a Environmentally and a Socially responsible company, Dahlvig, Ikea Group president and CEO said *"We're moving in the right direction, but we must remain humble. We should remain humble about what has been accomplished so far, because there is so much more that still remains to be done. We cannot change the world on our own. All we can do is to take small steps in the right direction."*<sup>39</sup>

## 2. PEOPLE RESULTS

- a. Highly trained and motivated workforce
- b. Motivated and compliant suppliers
- c. IWAY- a stakeholder friendly code of conduct

## 3. CUSTOMER RESULTS

- Satisfied Customers
- Favorable experience
- Customer experience enhanced through "The IKEA Philosophy".
- The IKEA approach which increases customer's perceived value by giving the same benefits at a lower price and even more benefits at the same price.
- Ikea's Customer Experience Philosophy has helped in creating remarkable customer experiences by decreasing the level of sacrifice and costs that consumers incur while experiencing a company's services and products.

## 4. SOCIETY RESULTS

- Preventing child labor
- Transportation with fewer emissions
- Energy Conservation by using renewable energy
  - i. Purchasing renewable electricity
  - ii. Surveys to evaluate energy needs and improve energy efficiency
  - iii. Establishing standards
  - iv. Alternative energy sources introduced
- Products with less impact on the environment
- Sustainable transport of people

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<sup>39</sup> "A Company with Scandinavian Values," [www.scandinavia.com](http://www.scandinavia.com), 2004.

- Climate projects with WWF
- Energy efficiency and renewable energy for IKEA suppliers
- Children's rights projects
- In-kind donations and emergency relief aid
- Children's health research programme

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## Analysis

### *Corporate social responsibility*

Kotler and Lee, (2005) define CSR as a commitment to improve community well-being through discretionary. Vogel (2005) argues that “doing good to do good” is the old thinking of CSR. Enquist et al., 2008 gave conclusion that CSR today is not for charity or doing good to do good but more for doing well. Corporate social responsibility is a driver of customer satisfaction which returns long term financial benefit to organization. The trend of Corporate Social Responsibility is growing interest within the global companies. The increasing number of tools for CSR, such as ISO 9000, UN Global Compact, EFQM Framework for CSR, etc can be the guarantor.

### **Starbucks Challenges with CSR**

The first aim of the Starbucks’s guiding principles is ‘*provide a great work environment and treat each other with respect and dignity*’. Starbucks offers its benefit package to part-time and full-time partners includes medical, dental, vision and short term insurance, etc. Starbucks invested in partners’ benefits and training instead to spent on advertising. One of the main ideas of Starbucks’s management is providing a great work environment for the partners (employees), taking care for its partners including:

- Listening to our partners
- Offering benefits to our partners
- Focusing on health and wellness
- Recognizing our partners
- The Cup fund
- Partner training and career development
- Workplace policies and respecting partners’ rights
- Health and safety

In the CSR seventh annual report is a most highlighted key strategic area in CSR of sustainable coffee –C.A.F.E practice programme-, Fair Trade Certified coffee, climate change more than about its workers well-being. We have seen that Starbuck has long cultivated a corporate image for social responsibility, environmental awareness, and sensitivity to workers' rights. In 1998, Starbucks became one of the first companies to extend full health benefits to part-time employees (Gulati, Huffman and Neilson, 2002). But in 2004, Starbucks Workers Union, SWU (an organization of employees for living wage, secure work hours, and respect on the job), was set up. Joining Starbucks Workers Union is for any Starbucks workers who want to improve life at work including:

- Rising up wage and guarantee work hours; Indeed baristas, the importance key who represent company to customers, earn salary equal to or perhaps less than Wal-Mart workers.
- Health Care coverage; SWU pointed out that Starbucks has poor health care policies and worse than industry average.
- Safe Working Environment; such as the full numbers of workers on the shop floor, dangerous from unsafe speed equipments, etc.

*“We can be extremely profitable and competitive, with a highly regarded brand, and also be respected for treating our people well.” In the end, it is not only possible to do both, but you cannot really do one without the other.”*

*Howard Schultz, Starbucks CEO and Chairman*

Schultz has to prove that Starbucks being the perfect company for social responsibility, environmental awareness, and sensitivity to workers' rights. To prove that corporate image as customers seen is not can found just only in the annual report but embedded in DNA of Starbucks' management. Creating partners' satisfaction is challenging company.

### **H&M Challenges with CSR**

As we know that H&M does not own any factories in order to keep unbeatable price. H&M works with out-sourced suppliers from around the globe. H&M stated that a fundamental principle is that products must be manufactured under good working conditions (CSR annual report, 2008). To make it happen, H&M developed its Code of conduct to be a guarantee that everyone contributing to the success of H&M should earn a decent wage. If H&M found that any suppliers have underage workers, the contract will be cancelled.

Swedish biggest fashion retailer communicated with 800 suppliers and 2,700 production units in various countries via a Code of Conduct. Under conception that products must produce under good working conditions (H&M CSR report, 2008). This led to a big challenge for the company to make the public see that every supplier in the whole textile business to follow the same rules. According to H&M's website, the Code of Conduct has 'guidelines' for suppliers through which it can be understood that H&M can only ask the members to volunteer but cannot force them to follow regulations, for example, in Bangladesh and Turkey, where they have big economic and social problems. The rate of unemployment is increasing in contrast to decreasing wages. H&M's Code of conduct is not enough to control wage systems and solve worker's right problem in developing countries. As Brynn, 2009 wrote *“The Code of Conduct set forth by H&M does try to correct inhumane practices and give workers more rights, but they work with so many factories and I find it hard to believe that they are able to regulate all of them”*.

### **IKEA Challenges with CSR**

IKEA, in order to honor its commitments towards corporate social responsibility launched IWAY, “The IKEA Way” on purchasing home furnishing products, IWAY acts as a

code of conduct for suppliers for IKEA across the world. However, audits have shown that compliance with this set of rules and guidelines formulated by IKEA to meet social and environmental demands leads to a number of challenges especially in developing countries.

The compliance of the code needs full support and commitment of the management teams of the suppliers in every country, this can be ensured by communicating the reasons and the motivation behind the launch of IWAY, also its implementation and requirement procedures to the business developers was essential.

IKEA, having 100,000 employees in 44 countries, had developed extremely effective strategies to operationalize CSR. One such initiative was its “Co-worker Environment and Social Responsibility Training Program”, which was developed in response to Ikea’s first ever environmental action plan, in 1992. The training includes Ikea’s worldwide social and environmental policies, performance and goals, programs, along with all aspects of business operations.

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## Conclusion

### *Comparison of how CSR is perceived by Starbucks, H&M and IKEA*

Even though they state CSR in the different ways they perceive the notion of CSR in similar way. All three firm cases refer CSR to the triple bottom line; Profit, People and Planet. Those companies define CSR as conducting business in ways that produce social, environmental and economic benefits for everyone surrounding the company. CSR activities as a part of the service business model and CSR have positive relationship with profit for innovative companies (Enquist, Edvardsson and Petros Sebhatu, 2008).

**Starbucks** perceives CSR as conducting business in ways that produce social, environmental and economic benefits not only for the company but for the whole coffee's communities as well.

**H&M** states CSR as the cornerstone of its operations. CSR has to be part of the daily work for everyone in firm. It cannot just be the responsibility of a central function at Head Office. Furthermore H&M works hard to embed sustainability to be a part of the DNA in the way they do business. *"We have a responsibility to everyone who contributes to our success, even those who are not employed by H&M".*<sup>40</sup>

**IKEA** uses CSR as a part of its overall strategy of interaction with its stakeholders for the co-creation of customer and stakeholder value (Enquist et al., 2006).

### *Comparison of corporation's responsibility according to EFQM Excellence Model*

#### *Leadership*

All three companies have the great pioneers.

- Starbucks's CEO and chairman; Howard Schultz.
- H&M's chairman of the board; Stefan Persson and new CEO; Karl-Johan Persson.
- IKEA has Ingvar Kamprad

#### *People*

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<sup>40</sup> Facts about H&M, 2008.

All three cases are socially responsible towards their staffs and make sure that fundamental legal also social principles are respected in relations with them. Starbucks call its staff ‘partner’, while H&M calls them colleagues to show the respect for the employees. For both

Starbucks and H&M focus on investing in employee benefits and performance instead of spend money on advertising. They believe that employees are the key success of business because they represent company to customers. The employees can inspire customers and make customers receive the great experience. According to Schultz, “*We’re not in the coffee business serving people. We are in the people business serving coffee*” (Schultz wrote foreword for Behar, 2008). By this way they believe that investing in employees will gain sustainable advantage in long term.

### ***Policy & Strategy***

Because a company’s policy and strategy has a lot of effect on results, it refers to what the company is doing and what is the plan for the next. Policy and strategy are commonly associated with sustainable development.

- **Starbucks** shares a common goal with several organizations such as Fair Trade, Conservation International (CI), Government of the coffee growing countries, etc. to make stable relationship with coffee farmers, and minimizing environmental impact. Starbucks also has social and environmental guidelines for producing, processing and buying coffee called Coffee and Farmer Equity Practices (C.A.F.E.) to ensure company will get high quality coffee while farmers get higher price.
- **H&M** has developed rules and regulations together with subcontractors in the form of a code of conduct. H&M first introduces a code of conduct in 1997. In order to make sure that the company’s code of conduct is followed throughout the 800 suppliers and 2,000 plus production units, H&M has 60 plus inspectors and regional coordinators who inspection the work.
- **IKEA** redesigned business systems. IKEA is able to keep costs and prices down because it has systematically redefined the role, relationships, and organizational practices of the furniture business (Normann and Ramirez, 1993). The strategy is the value-creating system by encouraging customers and business partners to work together or to be co-producer for its business.

### ***Partnerships & Resources***

All three businesses share their experience with alliance, organizations, trade unions, around the world. IKEA and H&M co-operate with more partners than Starbucks does because both of H&M and IKEA do not own any factories producing but instead work with hundred of suppliers.

Three of them achieve success working and sharing experience on social and environmental issues together with partners and customers through responsible for communities they do business with. All three organizations Starbucks, H&M and IKEA have been following ILO (International Labour Organization) convention, UN convention to take care of worker's rights.

### **Processes**

- **Starbucks** has been working with several organizations in order to develop business practices which help produce social, environmental and economic advantages for everyone in which Starbucks operates. Starbucks has Guiding Principles which focus on providing a great working environment for employees; a happy worker can make customers have a great experience, making a positive contribution to communities, working with coffee farmers to make sure they will get long-term benefit and minimizing environmental impacts. Schultz attempted to build the company with a soul.
- **H&M:** Because H&M's business concept is to offer fashion and quality at the best price. At H&M quality means that the products should be manufactured in an environmentally and socially sustainable way. H&M works actively with environmental and social responsibility in the supply chain. The company's code of conduct, which is the benchmark for the work, was developed already 1997. The follow-up of the requirements are made according to the comprehensive Full Audit Programme. H&M also contributes to better working conditions and the environment through several projects in the manufacturing countries.<sup>41</sup>
- **IKEA:** IWAY

### **People Results**

*"Starbucks was built on the one-to-one relationships between its customers and employees --one cup of coffee with one customer and one store at time"* (Gulati et al, 2002). This phrase can be described into four important key factors of Starbucks; they are quality of coffee, barista<sup>42</sup>, customers experience and atmosphere in the coffee store.

### **Customer Results**

All of three companies put customers in the first. They developed scripts for customer experience which are part of joint co-creating value process with the customer (ibid).

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<sup>41</sup> [http://www.hm.com/ca/corporateresponsibility\\_\\_responsability.nhtml](http://www.hm.com/ca/corporateresponsibility__responsability.nhtml)

<sup>42</sup> the person who prepares and serves espresso based coffee drinks

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*“Thanks largely to the Internet; consumers have been increasingly engaging themselves in an active and explicit dialogue with manufacturers of products and services. What's more, that dialogue is no longer being controlled by corporations. Individual consumers can address and learn about businesses either on their own or through the collective knowledge of other customers. Consumers can now initiate the dialogue; they have moved out of the audience and onto the stage.” (Prahalad C.K. and Ramaswamy V., 2000)*

- **At IKEA** show room customers will have feeling like they are at home. When they come to shop they can come together with all family. IKEA does not only offers furniture but co-produced furniture in the entertainment style.
- **At Starbucks** Customers able to customize their own beverage order to staffs. And because Starbucks purchases on Fair Trade Certified so customer can be sure that every penny they pay for coffee will be directly paid to coffee farmers.
- **H&M** has business slogan to offer customers high quality but low price. All of products are friendly to customers and environment. If H&M found that its products are not safe, company will recall all items from customers in order to guarantee product quality.

### ***Society Results***

- **Starbucks** provides cash and product donations to organizations where its partners are involved as volunteers. Examples: Make your mark which Starbucks support partners volunteer activities for non-profit organization, Earth Day clean-ups, regional AIDS walks and etc.
- **H&M** move forward to new Sustainability strategy which CSR department has to do only support but responsibility is driven by the business departments and units. By 2009 company plan to has all of products made with at least fifty percent organic cotton. About transportation, H&M working on climate-smart solutions for the transportation. H&M supports the Clean Shipping Project's (CSP) requirements of shipping.

### ***Key Performance Results***

- In fiscal 2007, **Starbucks** has net revenue US\$9.411 billion, 15,011 retail stores in 33 countries, 172,000 employees.
- In fiscal 2008, **H&M** has net revenue SEK 88,532 million, 1,738 stores in 4 regions, 53,430 employees.
- **IKEA** Group has 231 stores in 24 countries, 118,000 Co-Workers in 40 countries, 1,350 suppliers in 50 countries.

IKEA, H&M and Starbucks, the powerful innovative businesses, have been building their unique culture for such a long time. As we know all of them have a long history of integrating CSR with business management. Every year when they publish financial performance report, to

show their performance, they have to publish CSR annual report together with the company fiscal report. It shows that only financial benefit is not enough to be a successful company but have to give back to society and people. All service companies have to combine CSR or corporate social responsibility and sustainable management in the way they operate to make lasting profits for the company and everyone surrounding them, and the most important part is to create the lasting relationships with customers as Starbucks, H&M and IKEA operate their businesses.

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