Bo-Jacob Enquist

Values drive value when creating sustainable service business

– A study of a medium-sized values-driven company: Löfbergs Lila.

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Abstract

This Master thesis investigates how values can drive value when creating sustainable business. Concepts like Corporate Social Responsibility (CSR) and Sustainable Development (SD) has in the last years become more and more accepted and therefore practiced in the business world. Due to alarms of the climate change, decreased biological diversity and alarming reports of child labour in the export industry, today’s society claims for more sustainable actions among global enterprises. Evidently, some organisations have a more proactive sustainable approach and therefore managed to use sustainable actions to grow and strengthen their market positions e.g. IKEA and Starbucks. Service research related to the above research area at CTF (Service Research Center) at Karlstad University pointed out that corporate values such as social responsibility and environmental responsibility (among others) can be used to create customer value, brand equity and help strategic decision-making for future growth. This thesis investigates in the specific context of Löfbergs Lila what can be learned if the above mentioned strategy is used in a medium-sized company with strong values. Which processes are required to create sustainable business and how far has Löfbergs Lila come according to selected concepts and theoretical framework in business research?

The purpose of the thesis is to investigate, in an explorative way, how values can drive value for sustainable business, both empirically through the Löfbergs in the coffee context as well as theoretically. The whole thesis can be seen as a mix of a descriptive case study and an interpretative case study where understanding of the thesis will be created in the interaction between the theoretical and empirical parts. The study has been developed using a combination of inductive and abductive methods whereby the interaction between the conceptual/theoretical framework and Löfbergs Lila, in the coffee context, have constructed a new meaning.

The explorative study of Löfbergs Lila (or AB Anders Löfberg) presents an understanding of how values have affected the strategy and operation of this organization and is still doing so to this very day. Every company can work with sustainability, but strong corporate values incorporated into the business model are an advantage. There is a fundamental basis for more “sustainable growth” when these values drive “true” environmental and social progress, including accountability. This thesis claims that true core values are deep-rooted in the company and drive value for Löfbergs’ customers in the name of sustainable business.

The theoretically- and conceptually-driven findings, built on five (re)-constructed thick descriptions from Löfbergs Lila in the coffee context, end up in five general concepts for values-based sustainable business

1. Service Logic
2. Values-based service
3. Values-based service quality for sustainable business
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I thank the staff of the Service Research Centre (CTF) at Karlstad University for allowing me to be a part of their research contribution on the topic of “Sustainable business” in the region of Värmland-Norway. I hope my thesis can be of use to the international research into “Sustainable business” and CSR that is currently being developed at CTF. Someone worthy of extra credit is Mr Petros Sebhatu, who has not only inspired my findings through discussions regarding the context of coffee, but who has also improved my English by reading through this thesis at the end.

At CTF, there is also Mr Mikael Johnson who participated in my seminar for this thesis and came up with suggestions for improving the structure and texts. This thesis, the service management control course, and my last environmental science thesis on forest certification (Forest Stewardship Council – FSC) has provided me with insights into the CSR/Sustainable-Development field. I have also obtained practical insights as a research assistant at CTF over a three-month period (June-September), conducting interviews with various national road administrations in Europe, as well as Swedish forest owner Sveaskog. Mikael Johnson was the project leader and my supervisor during this task. In our report to the Swedish Road Administration, we came to some interesting conclusions about measuring and organizing “multi-dimensional control systems”, as well as the importance of sustainable actions. That report has also influenced this thesis.

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Bo-Jacob Enquist
1. Introduction and purpose

1.1 Point of departure

This Master’s thesis is not only a part of my business administration studies in service management research, it is also my “journey” of exploring the benefits of eco- and social-labelling. I have noticed that most corporate businesses, which are devoted to working with and developing internal systems in order to make them sustainable, seem to have some things in common. This is based on my own experience from the time I spent assessing the different phenomena of various organizations and initiatives, e.g. the Forest Stewardship Council (FSC), Fair-trade products/processes, and corporate actors. They are all often developed in connection with a community that affects the entire organization and the business model. Every company can work with sustainability, but strong corporate values incorporated into the business model are an advantage. There is a fundamental basis for more “sustainable growth” when these values drive “true” environmental and social progress, including accountability.

This explorative study of Löfbergs Lila (or AB Anders Löfberg) presents an understanding of how values developed by an entrepreneur, Åke Löfberg, and his children, grandchildren and great grandchildren, have affected the strategy and operations of this organization and are still doing so to this very day. Löfbergs has a clear growth strategy on the Scandinavian and Baltic markets, as well as globally, along with IKEA’s food markets and restaurants. By using organic and Fair Trade certification as a guarantee of accountability, Löfbergs has managed to increase the amount of certified coffee it produces each year. This year, sales of certified coffee have nearly exploded in the so called vending market (e.g. restaurants). A quarter of all coffee in the vending market is now certified and CSR (Corporate Social Responsibility) / SD (Sustainable development) have become big business. Unfortunately this segment only constitute one-third of all coffee sales but increases every year.

Even though I had access to the management of Löfbergs Lila on the basis of my research into sustainable business, which is organized by CTF, I have been following developments in this organization since 2001. I have interviewed the management as represented by two generations of Löfbergs, - the company Chairman and Marketing Manager - and the Quality Manager. What I found was a good example of a sustainable business among medium- and large-sized companies. Some of Löfbergs’ customers are large corporations such as IKEA and Scandic hotels in Sweden. IKEA works systematically with all its suppliers, who have to comply with high environmental and social standards. The reader will thus be able to follow, by means of this thesis, the coffee supply chain from the smallest farmer right the way to the IKEA food store in Tokyo.

The theoretical part of this thesis focuses on service research, especially on Service Management Control using a perspective that has developed more on the Master’s level course on Business Development. Moreover, my bachelor’s course in Environmental Science also impacts upon this thesis, but more in a business- and strategy-oriented way. Previously, I have written two bachelor’s theses, in Business Administration and Environmental Science, respectively entitled “Social and Eco-labelling within the consumer market – good for whom?” and “Can stakeholder partnerships in a civil regulated environmental practice, create sustainability?”. This is based on the phenomenon of the Forest Stewardship Council, which assesses the practices of Sveaskog and IKEA.
1.2 Introduction to the context of the coffee roaster Löfbergs Lila

This is a new Anders Löfberg group that has been developed over the years, as the coffee roasting business has grown. During the last decade, Löfbergs has roasted and prepared many remarkable coffees of different varieties and flavours. The numbers are growing fast. During my visit to the company in 2001, there was talk of the plan to offer a large variety of coffees and to be the number-one coffee specialist in Scandinavia. The company has developed a large range of products thanks to new investments in roasting machines. The different varieties are also a cause of the large numbers of restaurant machines on the market, which require different grainings and different packaging-sizes. Furthermore, Löfbergs invested in new packing machines between 1992 and 1993, followed by investment in new roasting machines, grinding machines, recycling, environmental investigation of energy consumption, the prevention of unnecessary waste, renewable energy sources for heating buildings, more environmentally-friendly logistics, and environmental education of all employees. The list is long; every year, Löfbergs completes 7 to 8 “actions for sustainable development”. A very interesting observation is that all major investments made by Löfbergs affect “sustainable development”, just like the new packing machines did in 1992.

The Anders Löfberg Group is a modern coffee roasting company with a clear growth strategy in Scandinavia, the Baltic States, and globally along with IKEA’s food markets and restaurants. The company is investing highly in marketing and communication using different messages. It is constantly trying to develop new varieties and flavours of coffee based on both new and old habits by reinventing and popularizing coffee drinking on its markets. Löfbergs is working towards retaining its local image and shows its roots in Värmland and the city of Karlstad. “The company’s soul and history is in Karlstad and Värmland. …It strengthens a company to be tied to its origin…” (Martinsson 2005). Furthermore, Löfbergs Lila was the first major coffee roasting company in Sweden to spread the word about and devote itself to environmental and social responsibility. The company has an opportunity to make a difference to the world, “so why shouldn’t we”, says Kathrine Löfberg, in Martinsson (2005). There is talk about not only offering good-tasting coffee, but also with a good and decent aftertaste. When it comes to environmental and social issues, information is the key to increasing sales of certified products. Therefore, Löfbergs works closely with organic and Fair Trade certification organisations and lately also the Swedish NGO: the Swedish Society for Nature Conservation (Kathrine Löfberg, 20-11-2006). The most difficult message it tries to convey is about the good flavour of its coffee, because every coffee company in Sweden does the same. Lately, it has sponsored a barista competition and jointly developed a coffee with the Swedish National Chef team in order to spread the word about good coffee. Looking at the most up-to-date coffee market numbers in Sweden, Löfbergs is experiencing no growth in the domestic coffee segment (17 % market share) but rapid growth in the vending (restaurant and catering) segment (28 % market share). According to Kathrine Löfberg, the company has been growing constantly in this segment from day one in this segment. But although this segment is growing most, domestic consumption is falling in Sweden from a world-leading position.
1.3 Purpose

The purpose of this thesis is to investigate, in an explorative way, how values can drive value when creating sustainable business, both empirically through the Löfbergs in the coffee context as well as theoretically.

1.4 Study content

The study contains five chapters. The first chapter can be seen as an introduction to the thesis as well from a theoretical point of view as from the empirical point of view of the medium sized company Löfbergs Lila. Chapter two explains the study design from a methodological point of view. Chapter three can be seen as the construction of the conceptual and theoretical framework of the thesis. Chapter four is the empirical, analysing and interpretation part of the thesis based on the case study of Löfbergs Lila. The fifth chapter is the conclusion of the study in a more general way based on the findings from all the previous chapters.
2. Study design

Qualitative research methodology

This thesis applies a qualitative research methodology. The purpose is to understand selected people, their context and decision making. For me, the data collection is mainly based on interviews and document analysis. According to Merriam (1988), qualitative data is characterized by detailed descriptions of activities, people, interactions, and observed behaviours. Direct quotes from individuals showing their experiences, attitudes, opinions, and thoughts are considered to be qualitative data. That also includes parts of notes, letters, registers, case studies.

My study design as a case study

One of the most used qualitative methods is the so called case study research (Yin 1994). The method is used to collect profound insights vis-à-vis a certain situation and how the people involved do interpret it (Merriam 1988). Yin (1994) defines it as an empirical inquisition concerning a contemporary phenomenon within its specific situation (context). According to Yin the case study method is especially suitable when dealing with the intersection between a phenomenon and context. Merriam (1988) writes something similar saying that the case study is characterized by the obtaining of insights into a particular situation and how individual experiences interpret the situation. To investigate processes or courses of events in present time, without manipulating the relevant variables, the case study method is preferable. Jacobsen (2002) explains that delimitation of the research object in time and space is common to all case studies. According to Merriam (1988), social science research should cover both the context and the external factors.

My thesis can be seen as a case study. A descriptive case study is of inductive nature (ibid.). This master’s thesis is more conceptual and theoretical driven. I argue with help of Alvesson and Sköldberg (2000) that the whole thesis can be seen as a mix of a descriptive case study and an interpretative case study where understanding of the thesis will be created in the interaction between the theoretical and empirical parts. For Alvesson and Sköldberg (2000), the later is an abductive method. In this study I have built up the empirical part in chapter 4 as inductively-driven thick descriptions. In the following analysing and interpretation of each thick description (narrative), I am using my own constructed conceptual and theoretically framework from chapter three to make an interpretation. This is more in line with the abductive method where the framework is used for interpretations in order to see something as something, to see patterns that reveal deep structures (ibid. p. 17).

A case study intends to create a deeply understanding of the research topic. The case study is used to study a specific phenomenon (Merriam 1988) which in this thesis is: how values drive values when creating sustainable business in the company Löfbergs Lila. A case study is of explorative nature. As the whole thesis is constructed as an interpretative case study each chapter has its specific role in this explorative journey of my thesis.

In Chapter one, my study’s disposition is shown and I also try to get closer to the research topic both in empirical and theoretical ways. This chapter can be seen as an introduction and a first reflection of the studied phenomenon. Chapter two (this chapter) means to explain the
study design from a methodological point of view, the content logics as well as the connecting thoughts of the study. In chapter three, a conceptual and theoretical framework has been developed (constructed) with help of literature studies so as to understand the phenomenon topics. Here I have done a multidisciplinary literature study of concepts like CSR, sustainable development, Value Chain Responsibility, service experience, service quality. In chapter four the empirical part of the case study begins. Different perspectives of Löfbergs’ businesses are described to which I have chosen different techniques to create thick descriptions (Alvesson and Sköldberg 2000; Merriam 1988) of the Löfbergs Lila in the coffee context. Qualitative performed long interviews have been alternated with document studies and published company information. Five stories have been developed with help of these thick descriptions. Testimonies from people living the context of Löfbergs or have dedicated a large amount of time to look into environmental and social problems with coffee growing, is especially essential to these descriptions. Each narrative follows by an analysis/interpretation based on the framework of chapter three. In chapter five, I make the conclusion of the study and discuss what can be learned from the study in terms of more general findings.

**Empirical data collection and literature study**

Early on, when choosing the case study research method, the importance of collecting empiricism was crucial to my study. Merriam (1988) enumerates information of qualitative, quantitative or both qualitative and quantitative nature as collecting empiric information in a case study. The option of using several methods in the collecting process is one of the strengths with the case study. *Interviews, observations and documents* shall be seen as important empiricism as well.

Both the in-depth interviews and complementary document studies are used to compose the empirical part of chapter four. I had the opportunity to conduct in-depth-interviews with Kathrine Löfberg (Marketing Manager and owner), Anders Löfberg (Executive Chairman of Löfbergs Lila and owner), Eva Eriksson (Quality Manager) and Jens Möllrup (Coffee/Tea Purchasing Coordinator), all individuals from top management at Löfbergs Lila. The focus of my interviews was mainly on values and environmentally and socially responsible work that has been done by the company, as well as its future strategies (see my interview guide in appendix). I subsequently made complete transcriptions of every interview in Swedish and then translated them into English. The interview document analysis and company visits have become the basis of my fourth chapter. Five stories have been developed. Four of the five are seen from Löfbergs’ perspective, while the remaining one supplements the picture and focuses on a broader view of the coffee business. The story “Managing value chain responsibility” (Chapter 4.3) consists of two rather large documentary studies conducted by Ponte (2004) and Bartholdson and Nordbrand (2005) regarding coffee farmers, the global coffee community, and social as well as environmental concerns.

Chapter 3, the conceptual and theoretical framework, is developed on the basis of a literature study in order to create the theoretical and conceptual analysis of the stated concepts. I have made an explorative theoretical journey departing from my master courses in Service Management Control and Business Development. The literature and lecturer’s presentations on the service management control course have influenced my view and understanding of the topic ‘values drive value’, which is the basis of my literature review. I have also used other relevant articles/literature which were not part of this particular course. Furthermore, I have also used literature from my environmental science studies. The developing of the framework in chapter
three have been done in parallel with developing of the narratives in chapter four in order to developing a relevant framework which can be used in the abductive interpretation process for each story.

**Credibility: validity and reliability**

Creating “meaning” is about creating trust. Lincoln and Guba (1985) in Baxter & Eyles (1997) talk about credibility as an important ingredient of building trust. Baxter & Eyles indicate further that creditability is: “… based on the assumption that there is no single reality but rather multiple realities mentally constructed by ourselves” (p. 512). I have therefore constructed the case study of Löfbergs Lila based on different “texts” from different sources and different methods. The empirical part (Alvesson & Sköldberg 2000) of Chapter three is based on different in-depth-interviews from inside the company as well as on internal documents. These “texts” have been supplemented by two external and rather critical documents concerning coffee practices, of which Löfbergs Lila constitutes a part. These empirically-driven narratives (texts) in Chapter 4 are analyzed and interpreted using the conceptual and theoretical part of Chapter 3 so as to use these frameworks as “spectacles” in order to discover a “new” meaning or draw some theoretical findings (Eisenhardt and Graebner, 2007). This is what Alvesson and Sköldberg (2000) see as an abductive method.
3. Conceptual & theoretical framework

The conceptual and theoretical framework illustrates the concepts based on the service business literature together with corresponding literature from quality research, corporate social responsibility (CSR), and sustainable development. The purpose of this part is to theoretically explore and analyse how the questions surrounding this thesis illustrate and define. This part consists of either theory or concepts, in which the latter is a way of forming and sorting different kinds of theory, as well as practical know-how. Theory about value, value creation, and sustainable business will be discussed. And the overall service logic will embrace the entire argument. Hopefully, the reader can understand the point of departure and why later arguments and empirical observations are brought to light. Let me start with the service logic argument.

3.1 Service Logic

In this section, I will illustrate and explain the service logic inspired by Vargo and Lusch (2004). These authors question the entire notion of marketing by focusing on the exchanging of goods. Edvardsson et al (2006), expand service logic thinking, not only to marketing, but also to management and the entire service business field. Vargo and Lusch (2004) claim that the first half of the twentieth century, from classical and neoclassical economic field research to the entire formative marketing thoughts of that period, all initiated discussions about the distribution and exchange of goods or tangible commodities, marketing institutions, and marketing functions. Later on, during the second half of the century, the marketing management school of thought dominated and product-oriented thinking survived as well. In the 50s, the functional school had “a decision-making approach to managing the marketing functions” (Edvardsson et al 2006, p. 1). According to Edvardsson et al (2006), McCarthy and Kottler focused on this decision-making approach to satisfy customers by targeting a specific market and making ‘optimum’ decisions regarding the marketing mix. Nonetheless, this logic applies to goods marketing. During the 70s, Kottler talked about “marketing decision variables” handled by marketing management when preparing for likely “non-controllable demand variables” (ibid., p. 1).

Today, traditional marketing still partly concentrates on ‘operand resources’ (resources on which an operation or act is performed), especially goods (Vargo & Lusch, 2004). Looking at values, marketing has, for example, inherited a view from economics that bonds values to be embedded in a product (ibid). There has been a shift towards the emerging service marketing during recent decades, ‘breaking free’ of insufficient product marketing. Vargo & Lusch (2004) see the service-centred view of marketing as a continuous series of social and economic processes focusing on ‘operand resources’ (producing effects based on skills and knowledge) and a constant striving towards making better value offers. The authors say: “A service-centred dominant logic implies that value is defined by and co-created with the customer rather than embedded in output” (ibid, p. 6).

If intangible things were looked upon through the eyes of tangible goods, that type of marketing would fail to contribute to “immaterial things” such as services (ibid). The authors have also, from the service-centered view, come up with a number of aspects of a service view: It is about the purpose of recognizing and developing core competencies, knowledge, and skills (creating competitive advantage); identifying other potential entities such as customers that
could benefit from these competencies; working on relationships and co-creation with customers, creating persuasive value proposals for the customers’ needs; estimating market feedback (financial as well as company performance), etc. (Vargo & Lusch 2004, p. 5).

Firms acting in the “new logic” should be market-oriented and should want to be ‘learning organizations’. Service-centred views, according to Vargo & Lusch (2004), mean something opposite to normative actions, but which instead customize all offerings in co-production with customer involvement, as much as possible, in order to better meet the customers’ needs. Financial responsibility will be achieved only if the business can increase its “off balance-sheet assets” like customers, brands, and network equity, rather than book value (ibid. p 14). “The service dominant logic” will play an extensive marketing role in the future. It has the potential to replace the traditional goods-centred paradigm (ibid).

This service logic view will be linked to values-based thinking in the next section.

### 3.2 Values-based service

In the field of organizational management, Pruzan (1998) criticizes traditional shareholder accountability based specifically on the financial bottom line. There has been a tendency to transform all the relevant information into this unit, to make complex management decisions easier. Too often, the complex and uncertain task of managerial decision-making has been counter-productive and leads to inefficiency and a reduced ability to describe, understand, motivate, and co-ordinate (ibid). The author also emphasizes the risk of making plans that cannot be controlled other than destroying the important qualities of those being controlled. This suppresses and holds individual initiatives back. He indicates that a multiple stakeholder approach, on the other hand, can lead away from this single stakeholder (the shareholder) and money fixation (ibid).

In a multiple stakeholder approach, each stakeholder will put emphasizes on its own values in a sound interaction with the company. However, efficiency in such an approach needs control. Companies must create controlling systems which can make best use of the limited resources (even human resources). It is the degree of complexity of a reality of uncertain environments which determines how serious the need for such a control system has become. In this case, both analyzing and manoeuvring capabilities are needed (ibid).

“At a more pragmatic level this efficiency - and control perspective has resulted in increased demands by employees, customers, suppliers, owners and society for an orientation towards more fundamental, shared values and holistic thinking in organizations, for respect, social responsibility and community. In other words, for a values-based perspective on leadership.” (ibid., p. 1380)

Here, Pruzan (1998) introduces values-based thinking and argues that this phenomenon is not new. According to him, the large range of quality standards within businesses is clear evidence of this need, as are ethical codes and corporate accountability in response to stakeholder demands. The author then uses a large portion of his paper to enumerate arguments regarding why values-based management is good business (traditionally, financially, and ethically) (ibid). There are arguments such as traditional power is less powerful in large and flat organizations, making the leader lose contact with the environment. Further arguments include the narrowness of money, language, and the corporation’s social responsibility whereby stakeholders have rights to be heard. It also attracts smart, creative, and motivated employees who
seek to find companies whose values are in accordance with their own. Finally, it pays off. (ibid, p. 1384)

Thus, Pruzan (1998) asks business leaders to introduce organizational and stakeholder values into their managerial culture. But However, values-based management should also accompany corporate accountability, he suggests (ibid). Today, economic accountability is needed, as well as environmental accountability, at least to a limited degree. More difficult is the task of dealing with the social and ethical aspects of business processes. Nevertheless, it is important to include all three perspectives in order to be able to comply with, and provide essential information to, external stakeholders and to protect and enhance corporate repute. This incorporates external verification as well. Edvardsson et al (2006) further develop the reasoning which was also inspired by Edvardsson and Enquist (2002): Values-based thinking in the service business. In their conclusion in the previous article (Edvardsson and Enquist, 2002), the authors present seven ‘interdependencies’ regarding in what way IKEA’s service culture drives its service strategy. Two significant ways are: (1) “The IKEA culture gives energy and direction for strategy formation and implementation” and (2) ”The IKEA culture combines the value logic with the logic of values” (ibid, p.180). The first way implies that the IKEA culture forms a ‘how-oriented service strategy’ whereby homogenous norms and values can very well change and shift in focus due to changing customer needs and values and strong leadership (ibid, p.180). The second is described in a table:

<table>
<thead>
<tr>
<th>The value logic</th>
<th>The logic of values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homo Economicus</td>
<td>Homo sociologicus</td>
</tr>
<tr>
<td>Economic calculations</td>
<td>Ethical and social calculations</td>
</tr>
<tr>
<td>Focus on economic utility</td>
<td>Focus on ethical and social benefits</td>
</tr>
<tr>
<td>Commercial and financial focus</td>
<td>Social and human focus</td>
</tr>
<tr>
<td>Quality, time and price</td>
<td>Ideals and trust</td>
</tr>
<tr>
<td>Focus on structural and process aspects of the formal organization expressions</td>
<td>Focus on values and meanings as cultural</td>
</tr>
<tr>
<td>Focus on business and service production processes</td>
<td>Focus on cultural processes and sensemaking</td>
</tr>
</tbody>
</table>

Figure 1: “The value creation logic and the logic of values” (ibid, p.182)

In Edvardsson et al (2006), a model relating to the subject of values-based branding in a service logic context is revealed. The authors’ aim is to describe the role of values when creating customer values and corporate identity, as well as showing how such values and identities can be communicated to customers and others (ibid).

The model itself is based upon “The value creation logic and the logic of values” as shown above in Figure 1. The environmental perspective (Homo ecologicus) is inspired by Elkington’s (1997) ‘Triple bottom Line’ thinking (meaning: company activities must look at the economic, ecological, and social ‘bottom line’ of their activities) (Edvardsson et al 2006). Furthermore, the Edvardsson et al (2006) model is also inspired by Hatch and Schultz (2001) who argue that the three fundamentals: vision, culture, and image should be aligned in a successful branding strategy. The model is once again displayed in an IKEA context. The authors tell five narratives each with its respective interpretation. Interpretation of the narratives shows that:

“…a pattern of words, concepts and language, can be discerned in communicating economic, social and environmental values. … The present study refers to this as a fourth set of values–communication values” (ibid, p 239).
Thus, four pillars compose this Edvardsson et al (2006) model: economic values, social values, environmental values, and communication of the values to stakeholders. Communication is essential and constitutes more than just a tool for conveying values. It is a value in itself claims the authors (ibid). The model tells the reader about IKEA. “Values understood and communicated by employees and through marketing communication” (Edvardsson et al 2006, p 239) affect the ‘price tag’, the innovativeness, the leadership, and the responsibility. It affects ‘values-based service management’ in ‘Triple bottom line’ thinking (Economic, environmental, and social perspectives), as well as values-based service brands (ibid, p 241).

3.3 Values-based service quality for sustainable business

Sustainable development

“Sustainable business” is related to the frequently used concept of “sustainable development”. A socio-political concept that has spread to all parts of society, including business administration. The term “sustainable development” evolved during the late eighties. After a lengthy debate and campaigns lasting more than two decades concerning harsh pesticides, threats to the ozone layer, and so forth, concern for the environment gained ground and popularity to become part of a global discussion. One important voice in all of this was the UN report filed by the World Commission on Environment and Development in 1987 called Our Common Future. This major report was put together by Gro Harlem Brundtland and her co-workers and was thus dubbed the “Brundtland Report” (1987). It became the centre-piece of the environmental policies of the time, as well as throughout the whole of the 90s and into the new millennium.

The purpose of “Our Common Future”, according to Brundtland (1987), was to suggest long-term environmental strategies to bring about sustainable development by the year 2000 and beyond. It was to find environmental objects and other translation strategies in order to better reach the developing countries and relationships between people, resources, the environment, and development. It was also to find ways by which the international community would better be able to deal more effectively with environmental concerns and, finally, to find long-term environmental issues and set a long-term agenda and goals for action during the coming decades (ibid).

“Our Common Future” (ibid.) suggested major collaborative efforts to combat international poverty, maintain peace, and improve security around the world.

Values-based service quality for sustainable business

“Values-based service quality for sustainable business” is another paper from CTF. This Enquist et al (2007) article is inspired by Pruzan (1998) and Edvardsson et al (2006) and further develops the concept of service quality. It also explains values-based thinking, the value logic, and the logic of values (everything has three sides: an economic logic as well as a social and environmental one) (ibid.). Furthermore, in this article, four dimensions are shown regarding values-based service quality: technical (1), functional (2), experience (3), and the HRM (human resource management) and corporate climate dimension (4). Values-based service quality is in practice rooted in company values. Values form the foundation of company culture (Enquist et al 2007).
Unfortunately, securing “a sustainable business” by expanding service quality thinking is not enough, the authors argue (ibid). They seek a deeper understanding of the sustainability concept by using Kemp’s (2005) dimensions of sustainability. Today, the ‘sustainability’ concept seems both frequently used and mostly accepted by society in general. What does the concept mean and is there any room or scope for varying degrees of ‘sustainability’, or different ambitions for the concept? When dealing with companies, it is important how the customers, suppliers, and citizens of the adjacent society experience this sustainability. There are lots of examples where the stakes regarding sustainability are more about talk than about constructive and effective sustainability work. In *Världsmedborgaren* (the World Citizen) from 2005, Kemp reflects on the notion of sustainability. He argues that “Our Common Future” was the first major report that made the concept of sustainability the solid idea for the future long-term development of mankind. He sees the concept as ambiguous and not particularly simple. This concept can be seen via many dimensions. In fact, Kemp (2005) envisages five dimensions:

1. **The ethical dimension**: Without ethics, the demand for sustainable development is unfounded. It is the silent condition for the meaning of the argument says Kemp.
2. **The social dimension**: The second dimension of sustainability, according to Kemp (2005), is the social concept. This focus of social justice and the fact that it cannot be postponed until tomorrow, it has to be taken care of today.
3. **The nature-philosophic dimension**: This dimension presupposes that nature is vulnerable and there are limits to how much interference nature can stand before future generations will feel the effects of more problematic and poorer living conditions.
4. **The economic dimension**: The economic dimension focuses on the idea that “sustainable development” must be operational and demands economic practice and theory.
5. **The legal dimension**: This dimension shows that modern human rights do not just encapsulate warfare, rather everything that affects legal principles for a good life on Earth.

Enquist et al (2007) have created a model of *values-based service quality for sustainable service business* (Figure 2). This model is derived from an explorative analysis of five narratives of IKEA, the model of Edvardsson et al (2006) and Kemp (2005).
In values-based thinking, I have noticed when reflecting that an organization is based upon a number of important values. Some of the values have existed from the start, created by the founder, while some came later as an adjustment to the environment of the company. Furthermore, values-based companies practice stakeholder thinking, meaning that these companies truly pay attention to important stakeholder expectations from the organization. Such companies also constitute clear leadership for actions as an approach to taking responsibility for their own actions, but also those of the companies, suppliers, customers, and so on. In a values-based company, values are understood and communicated by the employees/co-workers. These values, as expressions of the (service) culture, help to communicate the brand and further develop the service quality. Finally, a values-based company uses ‘Triple bottom line’ thinking in all its actions and calculated processes. To secure this mentality, companies often use both quality standardizations and different kinds of measurement combined with goal setting.

A well-known company also acting as a source of inspiration in this thesis is the Starbucks Coffee Company. I have conducted a case study with two other students on the D-level course of Service Management Control about this company (Bott et al. 2006). Enquist et al (2007) have exemplified the IKEA service quality model above and investigated whether there are any generalizations to be made. The authors mention seven stakeholder groups associated with Starbucks taken directly from our case study: i.e. customers, shareholders, partners (which the employees are called), suppliers, strategic partners (which help to reach new customers), local communities (where shops are located), and the global society (especially the world’s coffee community). The four dimensions of values-based service quality in the model can be related to the Starbucks case. First of all, the ‘coffee bean’, where the company purchases, roasts and sells high-quality beans along with all kinds of pastries and accessories for home coffee-making. Both the technical and functional service quality are thus ensured by selecting and handling the beans and the quality process in relation to the Starbucks supplier and value chain. Secondly, the ‘perceived quality’ is connected with ‘the Starbucks experi-

Figure 2: A model of values-based service quality for sustainable service business
ence’ which means creating a third place away from work and home, an oasis where everything has to be as good as the Starbucks coffee bean: the service encounter when ordering, the making of the coffee, the decorating of the shop, the music, the cleanliness, etc. (Schultz and Jones Yang, 1997). Thirdly, the values-based quality dimension ‘HRM and Corporate Climate’ is connected with creating a great working environment, including taking care of the partners’ wellbeing, providing opportunities for training, career growth, and ensuring a safe workplace, in addition to offering the opportunity to become a shareholder and private social security systems for part-timers as well. The company also encourages and rewards voluntary work done by partners in the local community (Starbucks, 2005).

Furthermore, Enquist et al (2007) talk about Starbucks’ internal certification initiative relating to its coffee suppliers called C.A.F.E. (Coffee and Farmer Equity) Practice “…to deliver a premium coffee farmed, distributed and cultivated in an ethical, social and environmental way, secured by the five dimensions, from the ethical dimension to the legal dimension” (Enquist et al 2007 p.16). The authors have also recognized the “pillars” of Starbucks which differ from those of IKEA (ibid). These are profitability (1), passion (2) communicated to customers, responsibility (3), and excellence (4) in the coffee processes from purchasing to customer supply.

I have now theoretically and conceptually covered the values-based service quality for sustainable business. The final Starbucks reasoning has been introduced, but how do Starbucks’ activities, from creating values for customers to the small farmer supplying the coffee, work theoretically? The two sections below, i.e. 3.4 “Managing value chain responsibility” and 2.5 “Service experience”, will explain how the concepts of creating experience can work.

### 3.4 Managing value chain responsibility

In her book “Corporate Social Responsibility and Globalisation” (Cramer 2006), Jacqueline Cramer creates an “action plan for business”. One of the constituents of this plan focuses on “global chain responsibility”. The background to her work originates from 20 Dutch companies involved in international trade with other businesses. For instance, Simon Lévelt was established in 1817 and operates in the tea and coffee sector. As early as 1976, the company introduced a policy which looked very much like a CSR policy, even though that expression was not in use at that time. Chain control and quality are two essential parts of the concept. The coffee-roaster is in direct contact (no mediators) with the local producers in the developing countries. In that way, a shorter value chain is enabled. Simon Lévelt receives intensive guidance in improving its production methods in a sustainable manner and is thus able to achieve a number of high standards. The producers are also provided with financial support and social services. The company has recently set up an information system for its customers on its website in order to inform them about how its products are produced and the value chain relationship. The company will inspire its consumers to choose sustainable consumption and make interaction more transparent (ibid.).

Cramer (2006) has created a step-by-step plan for global chain responsibility. She argues that, if you are a minor actor, you will be able to adopt high environmental and social standards developed by others. If you have knowledge and a strong strategy, standards can be improved either on your own or in collaboration with a limited number of influential actors (ibid. p. 90). Supply chain thinking and a company’s endeavours in social responsibility make it even more suitable to manage the insight regarding the application of high environmental and social
standards (Carter, 2004). Carter argues that supply management professionals in manufacturing industries are more involved in environmental issues, human rights, and safety activities than their counterparts in the service industries (ibid).

Enquist and Sebhatu (2007) have also tried to see the value chain from both the local producer’s side and the buyer’s side. The article, set in an African context, is entitled: “Insights from two CSR business cases from Africa seeking a supplier and a value chain relationship” (ibid.). Enquist and Sebhatu (2007) investigate whether strong environmental and social standards can enable the building of a value chain using “shared values”. Theoretically, the answer is yes, but the authors show many difficulties associated with reaching such a situation in the value chain. One possibility is shown in Edvardsson et al (2006) whereby the authors argue that the logic of values (environmental and social values) can act as a driving force for the value logic (economic values) in the supply chain through which the logic of values provides the direction of the “shared values”. The intermediary for this is presented by the authors as eco- and social-labelling. Waddock (2006) talks about “responsibility management” inspired by the quality movement, but with stakeholder thinking. She also demonstrates the difficulties of establishing a value chain. One can start with a comprehensive setting of standards such as the Global Compact and the GRI (Global Reporting Initiative), but one also needs to supplement these with a more action-oriented code of conduct (ibid).

Waddock and Bodwell (2004), in “Managing Responsibility: What can be learned from the quality movement?”, define corporate responsibility as “the ways in which a company’s operating practices (policies, processes, and procedures) affect its stakeholders and the natural environment” (ibid. p 25.). The authors claim that demands for change within the company made by external and internal stakeholders can turn into positive opportunities for organizational learning. They compare the quality management advantage for early adopters with today’s responsible management. They claim that competitive advantage will develop in a likely manner. The concept of TRM (Total Responsible Management) begins with a company vision that contains responsibilities towards stakeholders and the natural environment (ibid). The authors compare TRM with TQM which similarly consists of continued innovation and improvement processes. According to Waddock and Bodwell (2004), TRM has three main processes: Inspiration Processes, Integration Processes, and Innovation and Improvement Processes.
The author’s arguments for greater transparency and corporate accountability will signify responsible management towards the stakeholders. Organizations should be both transparent in their reporting and signify accountability (ibid). The GRI (Global Reporting Initiative), for instance, provides measures for companies with ‘triple bottom line’ (economic, ecological, and social) results to report frequently. Finally, Waddock and Bodwell (2004) conclude that quality as well as responsible management are dependent on the way the overall vision is linked to being implemented through specific standards. “Traditional Quality standards” are now taken for granted while responsibility, transparency, and accountability standards seem in comparison less apparent (ibid).

### 3.5 Service Experience

In the above sections, I used Vargo & Lusch (2004) and their views on service aspects. They mentioned working on relationships and co-creation with customers creating persuasive value proposals regarding customer needs. A service-centred view was to them something contrasting with normative actions and one should instead customize all offerings in co-production with as much customer involvement as possible in order to better meet customer needs.

If service quality is to be linked to effective solutions to customer problems, one needs to comply with overt wishes and try to detect and understand non-verbalized customer needs, which includes the individual circumstances and unstated needs of the customer (Enquist et al, 2007) (quoted Edvardsson, 1998). This is said concerning values-based service quality. Edvardsson (1998) concludes, in the same article, that service quality is perceived and determined by the customer on the basis of co-production, delivery, and consumption experiences.

Edvardsson et al (2005) is another article dealing with the service experience even more thoroughly. These researchers talk about the service experience and the experience room. The
service experience is defined as “a service process that creates the customer’s cognitive, emotional, and behavioural responses, resulting in a mental mark, a memory” (Edvardsson et al. 2005, p. 151). The aim of a pre-purchase service experience is to help the customer to feel and consider the quality and value of the service based on his or her context and evaluation (making a decision) (ibid). IKEA does this by letting its customers get involved with its products in almost realistic situations. IKEA calls it: “using hyper-reality to simulate the service and create the desired customer experiences” (ibid. p. 151). The authors claim that this is not unique to IKEA and refer to Bitner (2002) and Normann (2001), among others, who talk about artefacts as designed or created ‘objectifications of subjective and social (intersubjective) processes’ (Normann 2001 in Edvardsson et al. 2005, p 152), as well as mental artefacts. A new hyper-real context has been created that allows the customer to ‘taste’ or evaluate the real value in an experience of his or her own.

The already-mentioned article by Enquist et al (2007) is an additional paper mentioning four dimensions to values-based service quality. The wheel model shown above illustrates an ‘experience creating dimension’, which is mentioned next to the technical, the functional, and the human resource and corporate climate (ibid).

This is what I perceive to be a service experience. A concept which is, as I have already referred to, important to the Starbucks Coffee Company involved in the coffee business. It is also something that I will illustrate in Chapter four by analysing and understanding the case of Lofbergs Lila.

3.6 Final reflections on the conceptual and theoretical framework

In this part, I illustrate and analyse all the necessary theoretical backgrounds for the purpose of evaluating and building an interpretation framework for the discussion in Chapters 3 and 4. The above discussions concerning the service logic; values based service; values based service quality; managing value chain responsibility; and the service quality experience will, in a dialectic way, be demonstrated in the context of Lofbergs as an example of a medium-sized values-driven company creating sustainable business.
4. Löfbergs Lila in the coffee context

In Chapter four, I (re)-constructed five descriptions from the Löfbergs Lila case. Those descriptions are mostly based on in-depth interviews of key-personnel at Löfbergs, and on written documents from the “field”. The descriptions/stories are chosen in a dialectic way related to the conceptual and theoretical framework in Chapter three. The following topics have been chosen:

3.1 Löfbergs’ heritage and core values
3.2 Löfbergs initial environmental development
3.3 Managing coffee value chain responsibility
3.4 Löfbergs’ further environmental development
3.5 The Löfbergs coffee experience
3.6 Summary of the Löfbergs case in the coffee context

4.1 Löfbergs’ heritage and core values

The early history of Löfbergs

The history of Löfbergs starts with Anders Löfberg and his two brothers Joseph and John. Anders was working as a shop assistant in Munkfors, 65 kilometres north of Karlstad in the County of Värmland. The grocery shop where Anders worked sold, among other things, coffee, tea, and spices. However, the trading houses handling imported products from Africa, Asia, and Latin America, so called colonial products, were located in Gothenburg and Malmö. It was too far for them to make decent and effective deliveries to local grocery stores in Värmland, so Anders saw a potential business opportunity to run a colonial products import business of his own. In 1906, the three Löfberg brothers established ‘Bröderna Löfbergs & Co’ (The Löfberg Brothers & Co) located in Karlstad. This new business developed and in the early 1920s, the café culture was really flourishing in Sweden, which obviously pleased the brothers. After some years, the company started to import Citroën cars from France and the business increased, so too did the profits. They installed a new roasting plant containing a roasting machine in order to offer the additional service of roasting the coffee, which was delivered as coffee beans (unroasted).

In 1927, the three brothers decided to split Bröderna Löfbergs & Co into three different businesses. Possibly, the brothers had different ideas as to how the business should evolve. Josef took the wholesale and colonial import business, John took the Citroën car import business while Anders kept the coffee business. When the depression came in 1929, the Citroën business was diminished. But, it later disappeared in the thirties when no one could afford to buy cars. The wholesaler was sold off later and the coffee business is all that is left today.

The coffee business took the name AB Anders Löfberg. As early as the 1920s, the company was offering fifteen different varieties of coffee blend packed in colourful bags. Löfbergs’ purple blend ‘No. 35 Lyxblandning’ (Luxury blend) became the most popular one. Löfbergs Lila (Löfbergs’ purple) became the flagship brand of Löfbergs’ coffee today, but back then Anders Löfberg used the name ‘Monopolkaffe’ (Monopoly coffee) for all coffee blends.
Löfbergs’ heritage and core values

During World War II, there was a state-levied tax which was later transformed into coffee rationing and which had a huge negative impact on coffee sales, as well as on Löfbergs’ shipments from suppliers. Coffee bags containing raw coffee were often looted on their way to the roasting plant in Karlstad. Anders’ son, Åke Löfberg, bought a roasting machine to make a coffee substitute from sugar beets, various seeds, and chicory. Anders had also introduced several supplementary businesses in order to stay in business based on stricter values. The great granddaughter of Anders, now working as Marketing Manager, speaks of values and elements of the business then which could be seen as social responsibility today.

After the war, when rationing was stopped, sales increased rapidly and a much longed for expansion was ready to take off. Anders turned to eastern Sweden and offered it a light roasted high quality coffee. In 1945, his son took over as President of the company, resulting in an even more aggressive national expansion. Marketing and the rapid development of local offices and distribution networks made Löfbergs Lila a national brand. At that time, coffee was packed in two types of vacuum packs, metal cans and cardboard with welded aluminium-bags inside. During the fifties and the beginning of sixties, Löfbergs’ coffee sales increased considerably mostly due to a doubling of coffee consumption. The roasting company also bought Eda rostfria verkstad AB (Eda Stainless Mechanics) in 1955 and started producing coffee machines by moving the company to Karlstad in 1955. The name was changed to AB Löf-Eda Verken (Löf-Eda Works). These coffee machine and dishwasher manufacturing works remained in Anders Löfbergs ownership until 1973, before being sold on to a Danish company.

Another sign of the rapid growth of Löfbergs Lila was the establishment of an aviation business Abal Air (1963-1990) as a solution to deal with ineffective communications, mostly for important customers heading to Löfbergs in Karlstad. The coffee business harboured ambitions to make its coffee supply more effective and bought the M/S Margareta, a ship 71 metres long, in 1968 but sold it on two years later. The ship was supposed to transport coffee supplies from the major European reloading harbours all the way to the Löfbergs plant at Karlstad. On its way to those ports, the M/S Margareta shipped logs and timber from Värmland. But departures did not always occur at the same time as the coffee ships were arriving in those ports, which is why the M/S Margareta had to return without insufficient cargoes to Karlstad.

With the continued growth of Löfbergs and the increased consumption of coffee by the Swedes, management of Löfbergs was once again handed down to Åke’s son Anders Löfberg. He became President of the company in 1976. New markets were penetrated, e.g. restaurants and catering, which are known as ‘the vending market’ today. This market has made Löfbergs very successful and has constantly been growing every year since then (Kathrine Löfberg, 20-11-2006). Another strategy was to expand Löfbergs export market to include the ‘circle around Sweden’, which today includes the whole of Scandinavia and the Baltic markets.

The core values and processes of Löfbergs

Löfbergs has grown considerably, as already mentioned. Today, Löfbergs Lila is not the only expanding company; other sister companies such as Svenska kaffehuset AB (the Swedish coffee house), Löfbergs Lila International and Danish company Peter Larsen Kaffe A/S are also expanding. Both Kaffehuset and Peter Larsen Kaffe produce coffee for others, e.g. Coop cof-
fee products in Sweden and Denmark, Percol in the UK etc. The purchase in 2002 of a 50 percent stake in Peter Larsen Kaffe also includes a plant for tea.

Although the roasting plant and HQ in Karlstad looks different and has grown considerably, a great deal of its values have remained the same over the decades.

“Many of the values that exist in the company today, I venture to say, have been here from the start or still remain. But back then, you hardly ever spoke about values or company values. They weren’t written down or communicated in the same way as they are today. But if you look back on things that were done, you will recognize the same spirit. People working here experience something like it’s hidden in the walls.” (Kathrine Löfberg, 20-11-2006).

Löfbergs’ vision and core values manage the direction of their business. These values have developed over the years and today constitute every management process. These values are:

1. A Swedish coffee company established in 1906
2. A coffee specialist
3. Highest quality
4. Clean and simple design.
5. Safe products

But each core value has a number of meanings and is broken down into underlying meanings. To Löfbergs’ co-workers, these core values also tell them how Löfbergs is organized and how processes are linked together. The core values above have meanings like:

(1) A Swedish coffee company established in 1906

To practice long-term thinking: This is very important when working with such things as values and sustainable issues. It is not always the case that one sees the results of actions during the next quarter or even next year, but in the long-term, Löfbergs can make a wise decision, in their view.

“In a way, we have no stock market or other stakeholders to consider. Of course, the company has to be managed in an economically sound manner but we have more endurance than many others and we can be more flexible.”* (Kathrine Löfberg, 20-11-2006).

By ‘flexible’ they mean the developed ability to adjust themselves easily and to each other while working in close collaboration to find solutions. They talk about short-track decision-making and managing the organization. They do not need to follow structures and broad directions from somebody above.

(2) A coffee specialist

Being the number-one coffee specialist: Löfbergs is the biggest coffee company in Scandinavia which only focuses on tea and coffee (except for an affiliate dealing with real estate). The roaster strives to offer a wide product range. Over 100 years of experience in producing coffee has led to valuable know-how regarding the coffee business and regarding how the Swedish coffee sector works. Löfbergs knows its products and constantly renews them and develops its product range based on new coffee trends, attitudes, and habits.
(3) **Highest quality**  
Striving towards the highest quality in everything we do: Not only for purchasing coffee beans (raw materials), but also in the process of preparing the coffee, as well as packaging, communication and advertising. Löfbergs is quality-certified and works continuously with quality improvement issues. This includes how to constantly improve relations with customers, suppliers and other stakeholders. Quality should permeate everything Löfbergs does like a lodestar for its business dealings. Although quality is a very individual measurement, the company has a predefined high quality measurement.

(4) **Clean and simple design**  
Löfbergs has made purple a protected trademark: Simple design is primary using purple and yellow. The company was the first in Sweden to get a colour of its very own registered for a product. Löfbergs uses the colours as communication symbols. It is not always compelled to put logotypes on everything it communicates. Among the Swedish public, many people associate purple with Löfbergs. But ‘clean and simple design’ also means associating products with clean Scandinavian design. It is believed that anybody can recognize that the product is from Scandinavia, even outside Sweden’s borders.

(5) **Safe products**  
Make the product safe in every way: for those who grow and pick the coffee beans, for those who roast, grind and pack the coffee, for those who prepare and drink the coffee, and for the environment. They are all included in the value of safe products. Probably, the same applies to the tea.

Responsibility is taken for regulations and customer health. Löfbergs works with the provisions governing consumption and takes its health responsibilities very seriously. As regards environmental and social responsibilities, Löfbergs is very ambitious for its size, as a medium-sized enterprise.

(6) **Innovative product development**  
Always develop new and appealing products while popularizing the drinking of coffee: This applies to both domestic-consumed products and to the vending market. We consume more food and drink outside our homes than we did just a few years ago. This consumption habit is constantly increasing and coffee is incorporated into that.

Since 1992, the value surrounding ‘safe products’ has grown in meaning and process. Löfbergs has three different policies; an environmental-, an ethical/social-, and a quality policy. These are important statements and norms/rules relating to safe products, both with regard to people and the environment. This includes working with the reason of establishing fair working conditions for Löfbergs’ co-workers and the farmers in the producing countries. Risks-analysis are systematically being made concerning to prevent such issues, while producing for Löfbergs’ consumers.
Löfbergs’ heritage and core values

Analysis and interpretation

The service-oriented coffee roaster

The above brief history shows how a transformation at Löfbergs has taken place. Before AB Anders Löfberg was started in 1927, and while the founder and entrepreneur Anders Löfbergs was developing his business, that history was mainly focused on the coffee itself, the commodity. Developing new coffee flavours, then packing them in desirable and colourful bags, was the main focus. The early TV commercials had the purpose of persuading consumers to pick Löfbergs’ coffee from the shelf (cp. Vargo & Lusch, 2004), Löfbergs was acting within a product logic; the distribution and exchange of goods or tangible commodities. After the 50s, both McCarthy and Kottler continued to influence marketing management thought regarding the satisfying of customer needs using the optimum balance of the marketing mix (product, price, placement, and promotion). This dominant focus also affected Löfbergs.

There has been a “competition” between the supermarkets, “the battle” between the largest roasters about the stacking of shelves that has caught much of the attention, also for Löfbergs. How much shelf-space would Löfbergs be able to possess during the 70s, 80s and 90s? How could salesmen from the roaster sway the store manager/owner to stock a large Löfbergs Lila product range? Which consumers did Löfbergs choose to reach out to when developing its product? One strategy seemed to be about having the “right” positioning as regards Löfbergs’ flavour (stronger than Gevalia but milder than Zoega) and marketing mix vis-a-vis Gevalia, Zoega, Blå Mocca, and others. Vargo and Lusch (2004) speak of the traditional marketing influence still present today. This focuses on ‘operand resources’ (ibid p.5) meaning:

- To make and distribute things sellable.
- Items need to be embedded with superior utility & value during production & distribution
- All decision-making variables should be set on maximizing profit from the sale of output
- The good should be standardized and kept away from the market during production for control and efficiency reasons.
- The good can be inventoried before being delivered to the customers demanding it.

Now, Löfbergs has partly changed strategy, from a product-oriented business to a service-oriented business. We can ask ourselves whether there is any proof of this transformation. Vargo and Lusch (2004) have explained the shift in focus. The service-centred view of marketing can be seen as a continuous series of social and economic processes focusing on ‘operand resources’ (meaning: producing effects based on skills and knowledge). The authors ask for:

- recognition and development of core competencies, knowledge and skills (creating competitive advantage)
- identification of other potential entities such as customers that could benefit from these competencies
- work on relationships and joint co-creation with customers, creating persuasive value proposals suited to customer needs
- estimation of market feedback (financial as well as company performance)

A service-centred view is something that contrasts with normative actions, based upon customizing all offerings in co-production with as much customer involvement as possible in order to better meet customer needs (ibid).
Löfbergs has amassed knowledge and competence in several aspects, which can be recognized as a factor in its being a service-centred company. One very obvious piece of knowledge, or even competence, is Löfbergs’ CSR work. This is about making a difference in the coffee community as regards environmental and social responsibility, as well as improving the working environment of co-workers, and their health, and having the overall environmental responsibility for the plants in Sweden and Denmark. Concrete examples will be covered below.

Another closely-related piece of knowledge or competence is quality improvement. Löfbergs is quality certified for ISO 9001 and will very soon also be as regards the provision of the security certification known as ISO 22000. Co-workers, including managers, have developed quality thinking that includes every process or strategic decision.

A third competence is about providing knowledge and training to vending customers (store managers, baristas, employees of cafés, etc) and offering a total solution. This includes professional training for baristas using professional coffee machines in collaboration with coffee machine manufacturers by offering a wide range of coffees. These important customers are able to co-create with Löfbergs, for which the roaster can create persuasive proposals. Last year, Löfbergs also tested self-grinding and making single origin coffees available in a few supermarkets in the county of Värmland. Hopefully, this test will be followed by a national launch since this is an attempt to create a commodity-based business operation, which is more service-like. If these tests were to fail, factors such as attitudes and habits could be the reason for not achieving success. Customer training and information have solved such difficulties before. This dilemma is a good example of estimating market feedback. Another example is the quick response when the roaster changed the aluminium packaging (see the narrative below).

A values-based coffee company

Pruzan (1998) argues that the complex and uncertain task of managerial decision-making is often counter-productive and leads to inefficiency, as well as a reduced ability to describe, understand, motivate and co-ordinate. Traditional shareholder accountability has previously transformed all the relevant information into the money unit in order to make complex management decisions easier. In the case of Löfbergs, management has long resisted “the fashion” of implementing the Nordic Management School’s Balanced Scorecard, which for many years has been influencing the business environments of private and public organizations in Sweden. For some companies, the balanced scorecard can be part of the solution, while for others, the opposite is true. Many well-managed companies, especially outside the Nordic Area, do not use balanced scorecards, but have found other ways of measuring important non-economic processes. According to Enquist et al (2005), a multi-dimensional measurement system is necessary for accounting and non-accounting measurements. Balanced scorecards could be one such tool, but other solutions may be suitable as well. Balanced scorecards and other multi-performance measurement systems are only generic instruments and must be directed using “information rules” or guidelines (Lindvall 2001). Values-driven value in values-based service business (Enquist et al, 2007) can supply this direction, but must be contextualised, as in the case of Löfbergs.
A multiple-stakeholder approach can lead away from this shareholder and money fixation writes Pruzan (1998). In a multiple-stakeholder approach, all stakeholders emphasize their own values via sound interaction with the company. Efficiency, using such an approach, needs control. Companies must create control systems which will best be able to use the limited resources (even human resources). Demands for efficiency and control have strengthened other demands. Customers, employees, suppliers, owners, and society require more essential shared values and holistic thinking. This is about respect, social responsibility, and community (ibid).

Values-based management pays off (ibid), both financially and ethically. Major organizations are less powerful using more traditional management systems and make their leaders lose touch with their environments. The narrowness of the language of money is simply ineffective and stakeholders (including customers) have the right to be heard. This calls for the corporation to be socially responsible. It also attracts, among other things smart, creative, and motivated employees.

With this in mind, we can ask ourselves whether or not Löfbergs uses values-based thinking. I argue that they do. Although Löfbergs’ ‘core values’ are more likely to be a way of dividing different processes, there are definitely values behind both the company’s management control and its business strategy. Long-term thinking, quality thinking, provision of security thinking, environmental and social responsibility, and innovative thinking are all clear values. Löfbergs always seems to have listened to trends and demands made by its environment. Löfbergs cares for its stakeholder values and thus uses a multiple stakeholder approach. But this approach requires that control is effective. The company also carries out surveys to investigate its working environment. But in other areas, e.g. customer satisfaction, community commitment, supplier satisfaction, farmer satisfaction, and so on, there is no systematic or continuous measurement, including annual goals and action plans to meet such goals. Löfbergs probably investigates these factors but a more systematic level of control will be needed in order to meet the “requirements” of stakeholder values and to gain a multiple stakeholder approach and an effective control system. Other progressive goals can be incorporated into this control system, e.g. energy and transport savings, the amount of purchased certified coffee, and some environmental and social goals to improve “conventional coffee”.

Finally, the question of how a medium-sized company like Löfbergs “holds the strength” for such control. I argue that they do if the goals for constant improvement are adjusted to the capacity of the company. In that, way Löfbergs can better maintain contact with its environment throughout the entire value-chain, from the important Scandinavian customers to suppliers in the value chain.

### 4.2 Löfbergs initial environmental development

#### The packaging story

Since the fifties, Löfbergs has spent a lot of money on marketing in order to build an authentic brand; TV commercials and advertising whereby any roasting company could deliver messages it would wish to be associated with. But in the eighties, Löfbergs started to get questions concerning its production. Anders Löfberg, for instance, tells of school pupils asking questions about the topic of ‘over-packaging’. Why should their coffee have both aluminium
and cardboard packaging? Isn’t one type of packaging enough? This matter was seen by Löfbergs as an increasing trend during the 80s. The company frequently had to come up with good answers as to why things looked like they did. For example, what was the reason for the roaster’s packaging having a durability of 18 months for a product like coffee which normally moves through the entire distribution chain in one month, with only a few percent remaining in the chain for five? “We needed better answers” says Anders. “We needed to deliberate the matter”.

At first, Löfbergs tried to switch the packaging material on the existing lines, but with poor results. The roaster had five packaging lines for ‘half kilo’ ground coffee packs, which were carefully matched. So, all the different roasters could be in production at the same time. Half-kilo packs were sorted directly from production, put on pallets as per received orders and distributed. Solutions to this environmental problem simply left to Löfbergs unsatisfied. The main dilemmas could not be solved using the existing machines. The machines had to have a cardboard layer on the outside, although other materials than aluminium were tested. The aluminium foil was also tricky. The machines were dependent on being able to fold the material, which the stiff and thin aluminium was able to achieve, while other materials failed using existing equipment.

“All together we asked ourselves: Why not try to make the best possible package we can think of, modern as well as with the capability to solve all our problems at once?” (Anders Löfberg, 12-12-2006).

Löfbergs picked out Bosch in Germany to collaborate with and to find solutions for a packaging machine that could manage to pack a soft material without aluminium. According to Anders Löfberg, this was in about 1990 or 1991. For many years, Löfbergs had been working with a Danish foil supplier. They produced a prototype foil which was considered a very good material built on barriers normally protecting meat products. The Danish meat and food export industry was far advanced. It was ethylene-vinyl-alcohol that was to replace the aluminium foil barrier; this occurred. Bosch then experimented with this material and produced a proposal for a new machine. The machine used the ‘old’ structure of packing lines with modified welding temperatures, material steering, and so on. The new machine was also going to have a paper around the foil to create a friction layer, as well as making it lightproof. Paper is considered to be a very low environmental-impact material.

“So technology development and material knowledge was crucial when making the final solution to our packaging problem” (Anders Löfberg, 12-12-2006).

In 1992, the new packaging was introduced. A new building was built over the railway and the new machine was placed on the ground without much fuss. The whole installation and fitting was carried out within a couple of months. The new packaging route was previously covered by tarpaulins to cover what was going on and even the sellers did not know about this. Information materials were produced and the day after the launch, the sales department was selling new products without knowing about it in advance. “Exciting times” says Anders Löfberg smiling.

The question of how consumer take-up would evolve as regards the “new package” was crucial and the situation was tense. But, the reaction was rapid. The response of the market overwhelmed Löfbergs. People seemed to like the environmentally-friendly, easily-opened and space-saving qualities of the new package. Because of the swift reaction, a second packaging machine was ordered to complete the transformation of all aluminium half-kilo packs. How-
ever, the delivery time was 12 months. Thus, the old pack had its price reduced to keep a balance so they could sell it until the transformation had been completed. In 1993, when the second machine had been installed, the company replaced the old packaging completely.

During the collaboration process with Bosch, it became clear that the environmentally-friendly arguments of Löfbergs production had been communicated by the market adoption of the new package. Management then decided to take the environmental claims regarding production more seriously. A proper start to communicating this internally was stipulating and forming an environmental policy. This was done in 1992. This policy specified as one of the core values of Löfbergs: To deliver safe products to the company’s stakeholders. Other things involved in this environmental responsibility included buildings and the working environment, the coffee itself, collaboration with society, and information about environmentally-responsible products.

The packaging transformation alone saved annual material waste of 500 metric tons of carton fibre and transportation, because the new packaging reduced air volume. By getting rid of the aluminium foil itself, approximately 3 million kilowatt-hours of energy was saved in terms of aluminium manufacture. That was the equivalent of Löfbergs total annual energy consumption at that time.

**Analysis and interpretation**

‘The Packaging Story’, which took place between around 1990 and 1992 was very much dependent on the external values or environmental demands of society. ‘Our common future’ (the Brundtland Report) was published in 1987. Questions concerning ‘over-packaging’ and paper waste affected Löfbergs as well. Löfbergs enacted and initiated a ‘line of business standard’ for all Swedish coffee roasters getting rid of the aluminium. Together with marketing efforts, this technical solution received wide acceptance. It also resulted in lower costs, efficiency, and greater brand equity. The ecological movement, social awareness, and the Brundtland Report demonstrably affected all of society.

‘The Packaging Story’ has taught Löfbergs that environmental progress is often good business in the short-term, but even better in the long-term. Today, organic and Fair Trade coffee production is paying off, which was not the case in the beginning. The demand for Fair Trade certified coffee is growing rapidly. But let’s not go ahead of this thesis. ‘The Packaging Story’ raises questions about how social and environmental responsibility can be good business. ‘The Story’ claims that external values or demands can guide a company in developing its business.

**4.3 Managing coffee value chain responsibility**

The following section is divided into different parts, basically describing the same issue but from different perspectives. Let’s start with the overall contextual description of the coffee community, its environmental and social opportunities, problems and the global value chain in the past and present. Thereafter, interactions at Löfbergs are described.
Coffee practices in the global value chain

Nicaragua

*In the summer of 2005, I was travelling in Nicaragua.*

A ceiling-like layer of growing tree canopies prevents me from seeing too much of the sky. Around every trunk, there are dozens of orchids. It is a pity that the flowering season has already passed, I find myself thinking. Small humming-birds, not much larger than a bumblebee are drinking the sweet liquid from small containers put up by the farmers. They grow coffee, among other things, but today they have left their lands, unfortunately. We met many of them earlier on in the morning on crowded trucks heading for a political meeting in Estelí, a town in northern Nicaragua.

My curiosity about coffee-growing; and organic and Fair Trade certified farming is partly why I am here. Although most of the farmers are gone, an English-speaking tourist and entrepreneur who also is a coffee developer involved in the coffee harvesting process tells me how the coffee is developed. He speaks about the process that the co-operative went through when transforming itself from a conventional coffee growing method to an organic shade growing method. A lot of experiments were done to identify which trees and bushes are best at providing good shade in this particular growing area and situation. After a few years, they worked out a good mix of shade trees, fruits trees, and other vegetation. He seems very proud of the results and wants to show me every preparation method. It was clear that the organic coffee conversion process was a much bigger transformation than merely meeting the demands of the Fair Trade certification system. Today, the co-operative only grow organic coffee but also sells Fair Trade coffee to the Fair Trade market.

*A personal experience from a journey in Nicaragua to a very unrepresentative coffee cooperative, compared to other estates in Nicaragua. They were growing organic coffee in a natural reserve area.*

Brazil

The Swedish NGO, Swedwatch, inspects and analyzes Swedish companies’ trading and activities in developing countries. The 19 report of Swedwatch made 2005 concerning Brazilian coffee is my source when describing Brazil and its coffee production, below (Bartholdson and Nordbrand, 2005).

During my visit to the Nicaraguan coffee co-operative of Estelí, the farmers were living very simply but still seemed to enjoy good living conditions, supported by their coffee income, tourism, and selling vegetables and flowers, etc. Studies available in Sweden, concerning conventional coffee farming in Brazil, unfortunately show that the information on existing coffee production is either out of date, very general, or shows areas which are never represented in Swedish imports. Nearly half of Swedish coffee imports come from Brazil. It is, in particular, a ‘coffee belt’ in the central part of Brazil which has the right altitude and climate for growing quality coffee, which is also well-suited to being exported to the Western countries, e.g. Sweden. This belt includes the southern part of Minas Gerais, the savanna landscape...
in Cerradon and the part of the federal state of São Paulo bordering on Minas Gerais (ibid. p. 12).

Since the mid 90s, export farming is the main reason for economic growth in Brazil. This large country is today one of the biggest producers of coffee, soy, cotton, corn, beans, rice, sugar, cellulose, chicken, beef, oranges, sugar cane ethanol, and tobacco, etc. Swedwatch illustrates its importance using a statement by the former Foreign Secretary of the US, Colin Powel, a couple of years ago: “Brazil has become the world’s superpower on the agricultural side” (ibid. p. 40-41).

If we concentrate just on coffee, then Brazilian production has a lot of problems. Workers’ salaries are generally low and many of them lack any formal employment and thus access to the country’s social security system. The working environment is often dangerous, partly due to chemical pesticides (ibid. p. 5).

**Environmental problems**

The environmental consequences are described as substantial. Intense cultivation has resulted in decreased biological diversity, from the early 1800s to this very day. The Atlantic Rainforest simply covered the eastern part of Brazil from north to south. Today, only a few percent of it remains, the rest has been felled to make room for the estates with crops and cattle mentioned above. Earlier, in the 19th and 20th centuries, land often was abandoned when the soil became exhausted and needed to rest. Instead, more forest was often burned down. One third, or 2.7 million square kilometres, of the major Brazilian ecosystems (the Amazon, the Atlantic Forest, and the Cerradon Savannah) has been felled or cleared (ibid. pp. 39-40).

Cultivation methods are causing problems such as over-fertilization, lower groundwater levels, and erosion. The Brazilians have created a highly efficient and competitive agriculture, but, unfortunately, large mono-cultures of coffee and other crops which are not ecologically sustainable. Cultivation requires intensive use of pesticides and artificial manure. Cerradon, which comprises a biologically important savannah, was destroyed when coffee farming and other agriculture activities were extended. An important and invaluable biological diversity, e.g. over 10,000 plant species, of which 44 percent are unique in the world, is now slowly being depleted (ibid. pp. 39-40).

Irrigation of the major coffee estates, e.g. at Cerradon, is often massive and constitutes a danger to the water resources of the area. ‘Pivô cenral’ irrigation is characterized by water pipes of several hundred meters moving back and forth on a huge stand with wheels. Swedwatch compares the amount of water needed for the largest ‘Pivô cenral’ in that area with the water needed for a 20,000 inhabitant town in Brazil. The Cerradon Forest was like a sponge, before it was felled and cleared; the earth will not absorb the water in the same way during rainy seasons and the reserves for dry seasons are becoming lower. Soil is muddying the water, washes out in the rivers causing more floods, which is disturbing the ecosystems (ibid. pp. 41-42).

Another issue is the method of removing the coffee bean shell and drying it. There are two current methods called the dry and wet methods. The dry method is more environmentally-friendly and the one exclusively used in Brazil. The wet method requires more water, which is
released without purification and wood is needed to dry it, which can be illegally-gathered wood (ibid. pp. 50-51).

**Sun- or shade-grown coffee**

Coffee estates in Brazil exclusively grow sun coffee. Coffee plants make up symmetric lines with each other, nothing else. Sun-grown coffee on level ground is gentler as regards soil erosion than is sun coffee grown on more sloping ground. Sun coffee has very little biological diversity. Those coffee plants require more fertilization and chemical pesticides since there are fewer insects that would act as natural enemies to some noxious organisms. Sun-grown coffee is thus more sensitive (ibid. p. 42).

Shade-growing on the other hand, means growing coffee together with other trees, e.g. fruits and crops which give farmers both food and other important sources of income. Sometimes, coffee can grow in a more abundant forest as well. Shade-growing strengthens the eco system and the coffee plant’s resistance, in addition to fauna such as birds, etc. Due to the absence of shade-growing, the amount of organic coffee is very low in Brazil compared to other coffee-growing countries. There is a law whereby five percent of the Atlantic Forest of each estate has to be kept, but too seldom are the different forests linked together (ibid. p. 42).

**The farm workers behind the coffee**

In spite of some social improvements brought about by unions and a working collaboration between the unions and the authorities, the coffee industry in Brazil is characterized by major and unacceptable ethical shortcomings. Many farm workers in the coffee industry in the southern part of Minas Gerais are living on the subsistence level. Most of them are seasonal workers with no permanent jobs. They try to get by with an array of different jobs during the year in order to make ends meet. The majority of them earn more than the minimum salary. During the harvest season, they do piecework under great pressure but with the opportunity for a higher salary for the years of successful harvests. After a year of record harvests, the coffee plants needs to rest and a year with a less successful harvest will follow. A common minimum wage for a Brazilian coffee worker working in the “coffee belt” is SEK 1,140 /month. Swedwatch has exemplified a number of basic expenses that a four-person household has to pay every month. This adds up to a total cost of SEK 1,580 – 2,430 depending on the cheaper or more expensive alternatives available. Swedwatch concludes that if more than one member of the household is a wage earner, then ends will meet. Today, the farm workers often live in townships surrounding the major cities, with the advantage of not being under the power of the estate owner. On the other hand, the farmers’ ability to earn their living has diminished because they are unable to cultivate crops for their household requirements. Small farmers with the opportunity to grow their own food and keep their own livestock often find it easier to make ends meet (ibid. pp. 16-26).

There are also problems in the working environments of the farms. Chemical pesticides, for example, constitute a major risk factor as regards injuries and future disabilities prevent people from being able to work. There are hidden numbers of injuries due to chemical pesticides and direct proof of these injuries is hard to establish. Swedwatch tells a story of a man who has been applying chemicals for fifteen years now and has been operated on three times for skin cancer. Some of these chemical substances are banned in Europe, but allowed in Brazil. Chemical pesticides against insects and weeds that are dangerous, yet often allowed in South
America, include Triadimefon, Paraquat, Endosulfan and 2,4-D. 4C (the Common Code for the Coffee Community), which is now under development for the European coffee community, does not allow some of these pesticides (ibid. pp. 16-26).

The global value chain transformation

Stefano Ponte (2004), in his paper to the “UN Conference on Trade and Development”, has taken a ‘global value chain approach’. The discussion concerning ‘the global value chain’ (GVC) was originally introduced by Porter (1981). Ponte (2004) concludes that major changes have taken place in the coffee industry in the last 40 years. Prior to 1989, no specific actors were driving the global value chain for coffee. It was mostly governments that mediated and dictated the barriers in domestic trade and farming. Even quality control systems and which quality standard to apply to a country’s (originating country’s) exports were partly influenced by governments. In the consuming country’s perspective (e.g. Sweden), roasters were increasing their leading roles by means of branding, advertising, and consolidation. The quota system and government control affected the roasters by limiting their control of the value chain.

Post-1989, when the International Coffee Agreement (ICA) collapsed, the coffee price dropped dramatically, on the global market and for the farmers. The global value chain has become ‘buyer-driven’, represented by the buying countries (like Sweden). No longer do producers and producing countries have a “weighty” influence. The chain now forms a more informal and buyer dominated value chain. Although consumer prices have dropped a bit, generated value-chain incomes within the chain have been transformed, from farmers to the consuming countries’ operators. Some years ago, NGOs were talking about the ‘coffee crises’ affecting coffee farmers around the world.

But new trends have also arisen following the collapse of the ICA. Today, different standards are playing a role in the coffee value-chain. They are of a mandatory, voluntary or private nature (Ponte, 2004). Quality standards (for instance organic and Fair Trade standards) are voluntary standards arising from a formal coordinated process whereby the key participants in the market sector seek consensus. Voluntary standards are often verified by third party auditors. The role of standards in agro-food industries can be understood in relation to the changing features of consumption. Food safety awareness, the focus on health and diet, the globalization of consumer tastes, and social and environmental concerns are such features. Ponte (2004) also speaks of the saturation of goods with “commodity” traits leading to market differentiation. Other factors leading to this transformation include quality control, social and environmental certification, and origin tracking (field-to-fork custodial tracking). Standards are not a simple technical instrument for lowering transaction costs related to creating comparable and relevant information. According to Ponte (2004), they are strategic instruments of value chain coordination. Therefore, the technical features of standards have to be integrated using political economics approaches.

Standards can also specify the technical characteristics of production methods, quality traits, safety, specifications relating to environmental impact, animal welfare concerns, and working conditions. The globalization of food sources through foreign travel has resulted in more adventurous consumers, that people start questioning more and more the source of the agro-products they are choosing to consume. As a result, a large number of ethical trade schemes and sustainable standards have arisen and evolved. One negative aspect of this is that many
ethical trade schemes are driven by the developed countries’ consumers and businesses with very few producer opinions or producer priorities (Ponte 2004).

Two broad ‘ethical trade’ categories exist: (1) enterprise initiatives and (2) certification and labelling procedures. Many agro-companies in the “buyer countries” (North) have their own “codes of conduct” or “codes of practice” which define measurements of company performances against a set of ethical objectives. Certification and labelling procedures are used as a method of communicating information concerning the social and/or environmental conditions surrounding the provision of services or the production of goods. An example of an enterprise initiative is Starbucks’ code of practice (conduct). It started in November 2001 as a pilot program for the establishment of a ‘preferred supplier system’ (PSP) for purchasing coffee beans. The “Coffee and Farmer Equity Practices Program” (C.A.F.E.) constitutes a set of standards and verification procedures for “improvement in the sustainable coffee production” (Ponte 2005, p. 38). Starbucks has certified 81,000 tons for 2006 (Starbucks 2005, p 4). The remarkable point is that C.A.F.E certification will soon exceed all the existing “sustainable certifications” there are for coffee, combined. The C.A.F.E Practice Program is partly verified by third parties to assure Starbucks stakeholders regarding credibility (Ponte 2004).

Finally, a few dilemmas need to be addressed in this part. Standards can form new entry barriers more probably for smallholders than for estates. Technical assistance, if occurring at all, also tends to be “reactive” (filling in the gaps after they arise), while the coffee industry needs to be “proactive.”

The sustainable coffee industry has facilitated a change in ideas as regards what “content” should be valued in coffee among an increasing number of consumers. There is a potential theoretical opportunity for certification systems and private initiatives in sustainability to facilitate more direct relationships between producers and consumers and a better flow of information about markets and prices customers demand for “sustainable contents” (Ponte 2004).

**Analysis and interpretation**

The information above has the purpose of illustrating the fact that there is a difference between coffee and coffee. The major part of the study on Swedwatch documents mostly explains the difficulties of Brazilian coffee production and the cultivation of ‘sun-grown coffee’. Farm workers picking the coffee beans during the harvest season live on very limited means and work with other crops during other periods of the year, so that ends will meet. Although most criticisms were aimed at Gevalia and Zoega, Löfbergs also purchases large amounts of Brazilian sun-grown coffee, and from the investigated areas. Perhaps Löfbergs’ purchasing co-workers and agents have a feeling about which estates to avoid from an ethical point of view, but many of the problems, from both a social and an environmental point of view, regarding all sun coffee production still exist. Löfbergs has no consistent control system, ‘code of conduct’, or verifying organization to safeguard social and ethical issues. Forests and savannas are exploited and new soil is broken at the expense of the environment. Thus, the text above is relevant, even though it is very critical, with most of the negative impact problematized. The most interesting reasoning concerns the more sustainable growing opportunities, but unfortunately these barely exist in Brazil, in spite of the fact that Brazilian coffee comprises the base of a typical Swedish blend. If the Swedish roasters combined purchase about
Managing coffee value chain responsibility

47% (in 2005) of Brazilian coffee, how much of this coffee will go into Löfbergs “best selling packages”?

It is not solely the coffee growers who impoverish the soil and rapidly reduce forests and savannas (all other agricultural do so products as well), but they are part of the problem. In Central America (like Nicaragua), shade growing and organic farming seem like a viable alternative for those who have the will, knowledge, capability, and means.

Ponte (2004) writes about how different standards have taken a role in ‘the coffee value chain’. Ethical trade schemes and sustainable standards is a result of the globalization of food sources and consumers travelling around the world. The initiatives of enterprise category of ‘ethical trade’ is companies ‘code of conducts’ or ‘code of practices’ which measuring the suppliers; performance against a set of ethical objectives and certification and labelling category is a way of communicating information concerning the social and environmental conditions.

Löfbergs has clearly chosen to work with the two toughest certification and labelling procedures, i.e. the Swedish organic labelling initiative and the Swedish Fair Trade initiative. According to the Chairman of Löfbergs, the company is the “spearhead” of ethical trade. From the other point of view, Löfbergs puts its trust in the 4C initiative eventually getting rid of “the bad variants” so that “all of us trading with or buying coffee know that the actual coffee has not been badly handled” (Anders Löfberg, 12-12-2006). But Löfbergs has also worked towards developing a ‘code of conduct’ that is about to be used. Although there is no monitoring of whether or not the suppliers are living up to the code, it is important to declare which expectations exist says the roaster (Eva Eriksson, 08-12-2006). The paper comes back signed and Löfbergs and the grower/co-operative have to come to an agreement. Personally, I see the enterprise initiative (Löfbergs’ code of conduct) without verification and monitoring as rather toothless. Suppliers will most likely sign the paper whether or not they can live up to “Löfbergs’ measurements”.

4.4 Löfbergs’ further environmental development

The entire process of replacing the old aluminium-based packaging, together with the process of making an environmental policy, formed a starting point for a new era at the Karlstad-based roasting company. The initial external pressure may have been seen as a trend in the late eighties. But the move to comply with it turned out to be rather successful. Löfbergs’ awareness as regards addressing environmental issues helped to modernize production and the saving of money can be followed later on in many new investments and moves, and money they saved. Not initially, when the machines were new, but as the volume of foil increased, Löfbergs started to save money and the cost per package slowly fell. In 1993, aluminium foil on most products in the vending market was replaced. Löfbergs had stipulated very early on that it was going to take responsibility for its products.

“Yeah, we felt that this was a part of the increasing market share. We later spent our whole promotion budget talking about the new package. That was the only message we had really, speaking in promotional terms. And it was probably right because in this way, we did demonstrate an early start in this” (Anders Löfberg, 12-12-2006).

In 1995, the Swedish Society for Nature Conservation conducted a campaign aimed at Swedish coffee companies concerning the environmental aspects of their coffee production. This
time, they focused on coffee farms and plantations in the developing countries. Once more, Löfbergs identified an environmental trend now pointing towards the countries of origin (Anders Löfberg, 12-12-2006). Löfbergs and Zoega responded to the request to offer organically-grown beans in their product range. In the spring of 1996, Löfbergs introduced an organic coffee authorized by the Swedish organic labelling organization, KRAV. Löfbergs’ vision had taken an environmental and socially-responsible turn. AB Anders Löfberg’s vision states that it should be:

“...a strong, independent family-owned company that will lead developments in the coffee sector and popularize the drinking of coffee on the Nordic and Baltic markets”
(Kathrine Löfberg, 20-11-2006).

So far, every item of environmental news Löfbergs has presented has been imitated and developed relatively quickly by other large coffee roasters in Sweden. When the new package was introduced and communicated to the public, the other roasters soon got rid of their aluminium. The same happened in 1996, after organic coffee was introduced by Löfbergs and Zoega, Kraft (including Gevalia), Arvid Norqvist, etc did the same. However, the situation for coffee farmers did not improve. Instead, coffee prices dropped swiftly and from 1999, they were terribly low because of new low-quality coffee entering the world market from Vietnam. New issues were addressed by Löfbergs from customers and organizations such as churches, etc (Eva Eriksson and Per Kristiansson, 12-02-2001). The Fair Trade market was small in Sweden, but the international NGOs and national Fair Trade actors are much louder. In the UK, conceited NGO Oxfam had changed strategy and had started to become more influential in Europe, standing for active mobilization against poverty in the world. Because of their Fair Trade interests in shops and so on, the issues of Fair Trade and unsound trading systems are currently fashionable in Europe. In the early nineties, boycotts of Via washing powder had started the Swedish household chemical industry rocking. The most dangerous tensides (harsh chemicals) disappeared. How was the coffee community going to be effected by this “new trend” in the countries of origin?

In the autumn of 2000, Löfbergs introduced a Fair Trade coffee. It also predicted increasing its Fair Trade products in the future. Löfbergs was hoping for a similar development in growth like KRAV (certified organic coffee). By then, KRAV had already become a powerful and rich organization with a strong and credible brand. But the responses of the other companies regarding Fair Trade certified coffee were more of a wait-and-see, probably because the Fair Trade coffee market amounted to less than 1% of the total Swedish coffee market. The year after, Löfbergs, together with four privately-owned European roasters, started the International Coffee Partners (ICP). This is a non-profit private company dealing with the definition, financing, and operation of development projects in order to improve the living conditions of coffee farmers. Luigi Lavazza in Italy, Löfbergs Lila, Gustav Paulig in Finland, Tchibo in Germany, and Neumann Kaffee Gruppe, also located in Germany, jointly spend €1.1m annually. Two more coffee makers support the ICP as well. Once projects complete, farmers covered by these projects will simply be able to live on their own merits and abilities. Eight projects have been started up, four of them have already completed and three new ones are planned for the coming year. Over 50,000 farmers are directly involved, and several hundred thousand indirectly effected, by these projects.

Environmental and quality management

Löfbergs has been working with quality using different management systems in its multiple operational areas. It has created an operation management system covering environmental
Löfbergs' further environmental development

responsibility, work security, working environment, and food safety. Besides measuring profitability, turnover, sales volumes, customer satisfaction, and employee satisfaction, Löfbergs is also striving to work with food safety according to a certification known as ISO 22000. Peter Larsen (a Löfbergs company) has earlier had a corresponding Danish standard, but has now replaced it with the ISO and the Karlstad plant is doing the same. The ISO 22000 quality standard requires the measurement of product security, e.g. hygiene etc. Several years ago, Löfbergs determined its aims and quality objectives. The most important issue, disregarding profits, then, was the working environment of its staff. Therefore, several actions have been taken to improve and cover this issue.

There is no specific department that oversees the overall environmental responsibility of Löfbergs. This comes under each area and each operational manager. The coffee plant at Karlstad has a member of staff who is environmentally responsible, the logistics has another, and the purchasing department has a third. Often, it is the manager of each department that has the environmental responsibility, e.g. the Logistics Manager, the Purchasing Manager or the Marketing Manager. It is thus dependent on these managers’ “ambitions” to monitor how their operations correspond to environmental policy. Löfbergs has an environmental system, but it is not certified by a third, authorized party.

“We have an environmental management control system, but it isn’t certified. This sometimes results, perhaps, in less driven environmental progress because you’re not forced to do audits all the time, just once in a while” (Eva Eriksson: Löfbergs’ Quality Manager, 08-12-2006).

The company intended to certify many years ago as part of its environmental strategy, but later applied the brakes to these ambitions and then put all its energy into creating organic, labelled products, according to the company’s Quality Manager. Marketing Manager and co-owner, Kathrine Löfberg, talks about the amount of work environmental certification would demand. She has the same argument concerning making sustainable reports to stakeholders.

“We’ve discussed that quite a lot. There are numerous companies depending on the stock market and other investors, that to a larger extent need to account for their processes based on external demands more than we do. …Sometimes, we feel that there’s so much of that, it’s the same when it comes to being environmentally certified. We won’t avoid these issues forever, but they take a lot of energy and we need to prioritize. …Sometimes, you can put too much energy into paperwork and that will not benefit the farmer. We think that some of our accomplished sustainable work can do more than a certification wood have done” (Kathrine Löfberg, 20-11-2006).

The coffee company has also recently created a ‘code of conduct’ concerning its coffee suppliers. It is a first step, according to the company, whereby Löfbergs declares what it expects and then receives the signed document back from the suppliers. Although it does not have the ambitions or the ability to monitor this code at the present time, it is still important. With organic certified coffee, there is certainty in telling exactly where the coffee comes from. Löfbergs has certified products from a variety of certifiers: KRAV (organic), Rättvisemärkt (Fair Trade in Sweden) for the Swedish market and also “Utska Be” and “Rainforest Alliance” for some export markets.

“We can’t solve the world’s problems but we can contribute, in our own way, and we do whatever we can. At the same time, we have to run a business that’s profitable, or else we can’t do anything at all. So, this is a way of slowly increasing certified products year on year and so far it’s succeeded, and that feels great… And then we’ve initiated and are
participating in something that the coffee community has started up, called 4C – Common Code for the Coffee Community. It starts from the other side, to move away the ‘bad varieties’, so that all of us trading in or buying coffee know that the actual coffee has not been badly handled … in 10-15 years, we’ll have a completely different situation for the world’s growing community” (Anders Löfberg, 12-12-2006).

Actions regarding the working environment at Löfbergs feature, for example, a voluntary health profile for the roaster’s employees, which includes personal health consultations and tests of fitness. This is classified into three categories where the worst one leads to an action program to help the person. Löfbergs also investigates every employee’s physical and psychosocial working environment. These are all aspects of sustainability, says the company.

According to its Quality Manager, Löfbergs does not work much with objectives that it wishes to improve, but with process objectives that are constantly running. Within the quality operation field, this includes, for example, security of supply and customer complaints.

**Analysis and interpretation**

Much can be said about Löfbergs environmental responsibility. This affects the farmer and the “value chain”, quality work at the plants, the service quality dimensions experienced by consumers/customers, the handling of certified coffees and processes, and much more.

As with Simon Lévelt, as was explained in section 2.4, Löfbergs has shortened up its value chains to almost direct contact with local producers in the countries of origin (coffee) by about 80-85% (Kathrine Löfberg, 20-11-2006). This is in order to handle what Cramer (2006) calls “global chain responsibility”. By means of certification, Löfbergs can affect the farmer’s production methods in order to make them sustainable in accordance with the standards and the certifiers’ guidance. Through ICP projects, Löfbergs is also involved in helping poor farmers to be able to live on their coffee incomes and to further develop their businesses. But there are also ways in which Löfbergs not has followed Simon Lévelt’s example, such as setting up an information system for its customers on its website to inform them about how non-certified products are produced. And about the value chain relationship with the conventional coffee traders which constitutes a major part (like the Brazilian). Conventional coffee is not an example of taking a “global chain responsibility”.

Cramer (2006) shows that minor actors can adopt high environmental and social standards developed by others. Supply chain thinking and a company’s involvement in social responsibility makes it even more appropriate to manage insights regarding the application of high environmental and social standards. However, supply management professionals in manufacturing industries are more involved in environmental, human rights, and safety activities than are their counterparts in the service industries.

Looking at Löfbergs, limited collaboration such as running the ICP has been fruitful. How can a medium-sized company and its resources assume the “global chain responsibility” for the over 90% of coffee production that is not certified? Is 4C enough for Löfbergs to secure the roasters’ coffee actions? At this moment, the European coffee community is still struggling with the accreditation part of 4C. Below, I will discuss the service quality dimension of Löfbergs coffee as experienced by customers/consumers. Major corporation the Starbucks Coffee Company has moved ahead in creating such a private initiative for all its coffee in the long-term perspective. The above tries to explain why a verified “code of conduct” which secures
sustainable coffee production is a good move economically, environmentally, and socially. But this is not an easy task write Enquist and Sebhatu (2007), taking examples from Africa. The authors argue that environmental and social values can show direction and act as a driving force for economic values in the value chain (share values). Here, the eco- and social-labelling initiatives can be intermediary. However, environmental development at a service-centred company should also be seen from the customer’s or consumer’s point of view.

As indicated in section 3.3, the Enquist et al (2007) model regarding ‘Values-based service quality for sustainable business’ was created using IKEA and the Starbucks Coffee Company, in accordance with the authors’ two values-based companies. The authors conclude that generalizations can be made between these values-based companies working with sustainable business, but adjustments towards company values and processes need to be made (ibid). I have already argued that Löfbergs is a values-based company and the question of how to explain the Enquist et al (2007) model in a Löfbergs context remains unanswered.

The purpose of the ‘service quality model for sustainable service businesses’ is to depart from commodity thinking when dealing with quality. More quality criteria are needed than purely the traditional technical one in order to be able to have a service-centred view. As already mentioned, Löfbergs has a technical quality based on its core values. The roaster is also certified in accordance with two quality standards, including a food safety certification (ISO 22000). But without communicating the technical quality dimension, e.g. ‘food safety’, in a major way, the perceived quality will remain technical and not a ‘service functional quality’. Here, Löfbergs can do more to increase its number of functional quality traits. Also, the company has obtained a much better market share in the vending market. I argue that Löfbergs provides a larger service quality functional dimension in the vending market than it does in the household market. Baristas, café employees, and the like, experience much more experienced functional service quality from Löfbergs than do customers/consumers in grocery stores.

Another service quality dimension that Enquist et al (2007) have drawn our attention to is the ‘service experience quality’ traits. This one is separated from ‘functional quality’ by the amount of experienced context, experienced narratives, or experienced meaning the quality traits can provide beyond what the customer directly needs in her/his everyday life. Löfbergs has great potential to provide ‘service experience quality’, for example through the qualities of its special coffee flavour or its CSR work. How can customers experience how great the different coffees taste? Is it a matter of what they see or smell? If they feel that they are contributing to a better world, or contributing to a specific co-operative whose ‘story’ has to be heard, or minimizing forest destruction in Brazil, then some customers will experience ‘service experience quality’.

The fourth service quality dimension explained by the above authors is ‘Human Resources Management (HRM) and Corporate Climate’ (ibid). For Löfbergs, this quality dimension emphasizes the importance of values; when it comes to guiding the company in a certain direction and how individuals can be encouraged to take personal initiatives to improve processes at the company. How can co-workers and their actions contribute to ‘the service quality’ dimension? Does it matter how employees of supermarkets or cafés feel for (behave around) the coffee? Which “signals” can customers notice and how could this bring “quality” to the coffee?
4.5 *The Löfbergs coffee experience*

A couple of years ago, I read a press release from Löfbergs Lila regarding a rapid increase in market share in the vending market in Gothenburg, Sweden. A coffee shop with a good reputation had converted to Löfbergs and was presenting an even larger and more appealing range of special coffees and espresso drinks to its customers. Although, this was a one-sided press release, the shop owner indicated a couple of arguments as to why Löfbergs coffee was chosen. It was the wide range of coffee, the barista training by Löfbergs experts, the equipment from the roaster’s partners, and finally Löfbergs’ values concerning social and environmental responsibility were in line with the coffee shop’s values (the owner’s).

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Personally, I like Löfbergs whole-bean coffee served in a French Press where the customers can see the whole-bean grinding process being performed by the barista or café employee. Then, hot water is added before bringing it to the customer, who is told to leave the can for at least three minutes before filtering the coffee by pushing the handle on top of the French Press. The smells, the many varieties of coffee which different origins and the co-creation involved in preparing the coffee all create value for me.

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Löfbergs is currently testing new quarter kilo bags of whole-bean coffee with the possibility of grinding the coffee in a couple of stores on a professional grinding machine. This adds aroma and co-creation to the customer’s coffee experience. But, for instance, in a Karlstad city store, something is competing with and disturbing the Löfbergs experience. Right outside the checkouts, a chocolate, coffee, and tea store is spreading a wonderful smell of coffee throughout the whole store. Although the shop is very small, it always has customers at its counter. The question is whether Löfbergs grinding equipment and coffee varieties with their high prices are facing competition that will bring even more value to the customers and will affect Löfbergs test results negatively in this particular store? On the other hand, normal packs of coffee that cover lots of shelf space are selling well. Löfbergs and the other large coffee makers are always talking about the price-sensitivity of coffee, because of the supermarkets’ habit of using coffee as a loss leader to attract shoppers. What if a typical, cheap coffee is very price-sensitive, if it looks, smells and is priced like a cheap coffee, and what is really needed are some appealing features and new customer habits to bring a sense of romance to the commodity. Imagine if a coffee grinder was one of the most popular Christmas gifts next year!

**Analysis and interpretation**

The reason to explicate the service experience reasoning in the Löfbergs context is the opportunities this can bring to both the vending market, where Löfbergs holds a prominent market position, and the domestic market, where Löfbergs certainly wants to expand and make more money. The service experience is also the most important “arena” in a service-centred view. The question remains, how the transforming service-centred coffee company, Löfbergs, is able to develop the service experience for its customers? Let me go back to section 2.5 above.
The service experience dimension of the service quality has been covered in sections 2.3 and 3.4, regarding values-based service quality (Enquist el 2006). The best-performed Löfbergs service experience, according to me and earlier “analysis and interpretation” in the above-mentioned sections, relates to the amount of experienced context, experienced narratives, or experienced meaning the quality traits can provide over and above what the customer needs in her/his everyday life. Löfbergs has great potential to provide ‘service experience quality’ to its customers, e.g. through qualities relating to the flavour of special coffees or its CSR work, which I discussed in section 3.4. Is it a matter of what customers see or smell? If customers feel that they are contributing towards a better world, contributing towards a specific co-operative whose ‘story’ the customer has heard, or towards minimizing forest destruction in Brazil, some customers will certainly experience increased ‘service quality’, I argue. There are many opportunities for Löfbergs to develop complementary or new service experiences that will strengthen its service quality even more, which can demonstrably be seen in the cases of IKEA and Starbucks, leading to enormous profits as well as environmental and social improvements. Löfbergs has strong values and using these with improved service quality will increase competitiveness.

Edvardsson et al (2005) define the service experience and put an emphasis on the customer’s mental mark based on knowledge, passion, and behaviour. IKEA has managed to sell solutions regarding the everyday lives of its customers by creating a pre-purchasing situation. This is a way of customizing all offerings in co-production with customers in order to better fill the needs that Vargo & Lusch (2004) seek. The reason for explaining the article about the “pre-purchasing service experience” is to ask whether lessons can be learnt by Löfbergs in its actions to bring increased service quality experiences for its customers.

One promotional activity existing in the domestic segment for certified products such as Fair Trade and Organic is to offer tasting opportunities in food stores. This creates the opportunity to meet, discuss, and show how good a certified coffee can taste. Before Löfbergs started to make a Fair Trade certified coffee, the flavour of certified Swedish coffee was very different to conventional Swedish coffee blends and a bad reputation regarding its bad taste was spreading (Eriksson, E. & Kristiansson, P., 12-02-2001). But tasting tryouts are expensive and Löfbergs cannot hire promoters the whole time. It is crucial that a product is selected on its own merits. Much more can be done in order to create value for customers.

4.6 Summary of the chapter

In Figure 3 below, a critical event in the history of Löfbergs is visualized using a timeline table (inspired by Sundström 2006, p. 149). In 1992, the packaging machine was installed and the environmental policy was created. During that period, sustainable thinking as the motivation for service business started and has developed further since then.
As a summary and an overview of the thematic findings of Chapter 4, a table is constructed wherein the critical incidents are further developed and combined with the Löfbergs context and theoretically-driven interpretation (Table 2).

**Figure 3:** Löfbergs’ strategic development processes, including critical events.

<table>
<thead>
<tr>
<th>Themes</th>
<th>Critical incidents</th>
<th>The Löfbergs context</th>
<th>Theoretical interpretation</th>
</tr>
</thead>
</table>
| **Löfbergs’ heritage and core values** | Customer offerings from 1906. Introduction of a specific customer segment called the vending market from 1976 up until today. | Löfbergs offers products to the consumer market in attractive packages, heavily promoted. Later on, specific products for the vending market also arrive. Aspects of a service-centred company:  
Löfbergs provides knowledge and training to vending customers.  
Löfbergs’ CSR works with ‘making a difference in the coffee community’ and with its co-workers’ health and with environmental responsibility at its plants.  
Constant quality improvement includes every process or strategic decision. This includes the more informative approach of selling certified coffees such as organic coffee (KRAV) and Fair Trade. | From a goods-dominant logic to a service-dominant logic |
Values became more important after ISO 9001 certification in 1997. Löfbergs uses its values in its management system. Although Löfbergs’ ‘core values’ are more likely to be a way of dividing different processes, there are definitely values behind both the company’s management control and its business strategy. Long-term thinking, quality thinking, food safety thinking, environmental and social responsibility and innovative thinking are all clear values.

<table>
<thead>
<tr>
<th>Löfbergs initial environmental development</th>
<th>Co-developed a new packaging machine in 1992. Löfbergs initiated a ‘line of business standard’ for all Swedish coffee roasters, getting rid of aluminium by packaging in a “new” aluminium-free way. This was a solution to questions concerning “over-packaging” and paper waste originating from consumers. The new packing machine, along with the development of an environmental policy, became the starting point for more consistent sustainable action.</th>
<th>External pressure for sustainable development (Brundtland Report)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing coffee value chain responsibility</td>
<td>The International Coffee Agreement collapsed in 1989</td>
<td>The ICA collapsed and changed the conditions of farm workers and the coffee trade. There is a difference between coffee and coffee. The most interesting reasoning about coffee growing in the world concerns the more sustainable growing opportunities. Löfbergs needs to understand the seriousness of coffee production problems and develop sustainable actions.</td>
</tr>
<tr>
<td>Löfbergs’ further environmental development</td>
<td>1996 certified Organic coffee(KRAV) 1997 ISO 9000 2000 Fair Trade coffee 2007-2008 ISO 22000</td>
<td>In the spring of 1996, Löfbergs introduced an organic coffee authorized by the Swedish organic labelling organization, KRAV. Löfbergs became ISO 9001 certified in 1997. In the autumn of 2000, Löfbergs introduced a Fair Trade coffee. Löfbergs is striving to work with food safety issues through a certification called ISO 22 000. Every new sustainable development, e.g. aluminium-free packaging, introducing KRAV and Fair Trade coffee has been imitated by competitors. Löfbergs has created an operation management system to handle sustainable operations.</td>
</tr>
<tr>
<td>The Löfbergs coffee experience</td>
<td>Started offering knowledge to persons active in the vending market (baristas).</td>
<td>The service experience helps to create added value for both the vending market, where Löfbergs holds a prominent market position, and the domestic market, where Löfbergs certainly wants to expand.</td>
</tr>
</tbody>
</table>

Table 2: Summary of Löfbergs Lila’s thematic findings in the coffee context.

The different themes listed above are described separately one after the other. In practice, they are more connected to each other. I will illustrate this connection by using the model of Enquist et al (2007) and contextualize this to the “Löfbergs Lila model of values-based service quality for sustainable service business” as follows:

Löfbergs is a values-based company with strong values. Its roots go back a long way and family tradition, interest in the local community, and a stakeholder approach have been important
throughout its history. The most important stakeholders have been the vending customers, customers in the consumer market, employees, farmers (incl. farmers, estate owners, farming co-operatives, traders), and the county of Värmland (the local community).

The four dimensions of values-based service quality are present as has been shown above in Table 2. Technical and functional quality can partly be linked to securing the quality processes of selecting and handling the coffee bean and packaging, but also to the securing of the quality processes in its supplier and value chain. Löfbergs is constantly working with quality improvement, which includes every process or strategic decision. By getting rid of the aluminium and packaging in a ‘new’ aluminium-free way, Löfbergs initiated a ‘line of business standard’ for all Swedish coffee roasters to follow. Löfbergs has also certified products from a variety of certifications.

Experiential quality at Löfbergs has been developed more for vending customers. Eco- and social-labelling also brings an experience of shared values to the consumer market. The values-based quality dimension “HRM and corporate climate” is, for Löfbergs, related to the workplace, local society, and an impact on the supply chain. Löfbergs’ CSR works towards making a difference in the global coffee community, as well as with co-workers’ health and with environmental responsibility at plants. Löfbergs does not have a “code of conduct” of its own but certifies products from a variety of certifications: Organic (“KRAV”), “Rättvisemärkt” (Fair Trade in Sweden) on the Swedish market, and also “Utska Be” and “Rainforest Alliance” in some export markets. Löfbergs will act as a sustainable business enterprise secured by five dimensions, from the ethical dimension to the legal dimension with help of eco- and social-certification, and in addition by its strong values. Although Löfbergs’ ‘core values’ are more likely to be a way of dividing different processes, there are definitely values behind both the company’s management control and its business strategy. The four strong pillars of Löfbergs’ values can be discovered in these economic and social processes (Vargo and Lusch, 2004). I argue that the four pillars of Löfbergs are: specialist (long-term action in order to be the number-one coffee specialist), quality (striving for the highest quality in every action including clean and simple design), responsibility (environmental and social responsibility to make products safe), and innovative (innovative by introducing new coffee experiences).

It is also interesting to see if Löfbergs, seen as a whole business, is sustainable or not. Enquist et al (2006) have used Kemp’s (2005) five dimensions of sustainability (ethical, social, “nature-philosophic”, economic, and legal). To me, using Kemp is a way of recognising thecomplexness of the sustainability concept. Löfbergs can be variously good to live up to the different dimensions of the sustainability concept. In my own Bachelor’s thesis in Environmental Science (Enquist, B.-J., 2006), I concluded that IKEA’s and Sveaskog’s practical work seemed hopeful to me, whether there is sustainability or not. “A serious ambition and extensive goals sometimes make a difference”, I concluded. In the case of Löfbergs much has been done according to Kemp’s (2005) five dimensions. Below follows some examples of Löfbergs’ actions corresponding to each dimension of sustainability.

Ethical dimension – Löfbergs takes responsibility for co-workers and people in the coffee production including farmers by promoting ethical products (like the certified ones), refuse to by coffee from the worst plantations and improve the lives directly and indirectly for those involved in the ICP’s (International Coffee Partners) projects. The ethical dimension is basically to recognize the fact that ethics and business cannot be separated from one another.
**Social dimension** – Löfbergs takes responsibility by selling and increasing the sales of Fair Trade coffee. Further, they run a health program for employees and contribute to philanthropic sponsorship in the county of Värmland.

**Nature-philosophic dimension** – Löfbergs took responsibility by enacted and initiated a ‘line of business standard’ for all Swedish coffee roasters getting rid of the aluminium. Furthermore they initiated higher environmental demands by developing an organic coffee in 1996.

**Economic dimension** – Löfbergs has in the 90s and 2000s managed to reduce waste costs, energy costs and transport costs with more efficient packaging and development of the coffee and tea plants.

**Legal dimension** – Löfbergs takes responsibility by using civilly regulated environmental and social certification systems like Organic (KRAV), Fair Trade certification, ISO 9001 and ISO 22000.
5. The conclusion of the study and suggestions for further research

This study has been developed using a combination of inductive and abductive methods (see chapter 2) whereby the interaction between the conceptual/theoretical framework and Löfbergs Lila, in the coffee context, have constructed a new meaning.

In Chapter 4 above, I have shown that Löfbergs Lila is a values-based service company. Löfbergs in the coffee context can be seen as an enterprise driven by values-based service quality for sustainable service business (Enquist et al, 2007) like IKEA and Starbucks but with some limitations. One has to consider that Löfbergs Lila is a medium-sized company and does not have the major resources of a large Globally Integrated Enterprise (Palmisano, 2006). There are still plenty of chances for the company to act like a “values-based service company” with the help of strong values, triple bottom line thinking, and generally-accepted standards.

In Chapter 3, I have also developed a conceptual and theoretical framework to use in my analysis and interpretation in Chapter 4.

My purpose with this thesis was: to investigate, in an explorative way, how values can drive value when creating sustainable business, both empirically through the Lofbergs in the coffee context as well as theoretically. I have shown that this purpose has been fulfilled from the empirical point of view in Chapter 4, supported by my explorative journey: ‘Löfbergs in the coffee context’.

As the final conclusion and contribution of this study, I want to discuss what can be learned in terms of more general findings, “How values can drive value when creating sustainable business?”, which can also be used in other contexts. These findings are theoretically-driven based on Chapter 3 but in an explorative way inspired and understood from Löfbergs Lila in the coffee context. I discuss the need for five concepts as follows:

1. **Service Logic**: A firm acting in the service logic means being customer-oriented, being a ‘learning organization’ (developing core competencies, knowledge, and skills to create competitive advantage) (Vargo and Lusch, 2004) and practicing co-creation through customer involvement in order to better meet customer needs. We can see that Löfbergs Lila uses this strategy in the vending market and towards its employees at its own plants, but also using eco- and social-labelling to meet customer needs.

2. **Values-based service**: At a more pragmatic level, the efficiency- and control-perspective has resulted in increased interest by employees, customers, suppliers, owners, and society in an orientation towards more fundamental, shared values, and holistic thinking in organizations for respect, social responsibility, and community. In other words, for a values-based perspective on leadership (Pruzan 1998). Values-based service is about such holistic thinking based upon the dialectic between “the value creation logic” (economic value) and “the logic of values” (driven by social, ethical and environmental values)” (Edvardsson et al 2006). The Löfbergs Lila case shows that values drive value. By listening to its customers regarding environmental and social issues, Löfbergs took the lead in eco-packaging, eco-certification and Fair Trade certification, and that strategy paid off.
3. **Values-based service quality for sustainable business**: This model (Enquist et al, 2007) is based on the above values-based service but focuses on expanded service quality thinking consisting of four dimensions: a technical, a functional, an experiential, and an HRM (human resource management) and corporate climate dimension. Values-based service quality, in practice, is rooted in the company’s core values. Obtaining a “sustainable business” by expanding service quality is not enough. The sustainable business has to be followed by sustainable acting (Kemp 2005). The value drivers of Löfbergs (described above): **specialist, quality, responsibility, and innovative** are of great importance to the company but have to be supplemented by extended service quality thinking. In more general terms, the value-drivers and the extended service quality thinking have to be contextualised for each company.

4. **Managing value chain responsibility**: Service companies dependent on a supply chain have to manage value chains responsibly. Cramer (2006) argues that if you are a minor actor, you can adopt high environmental and social standards developed by others. If you have knowledge and a clear strategy, you can improve standards by yourself or in collaboration with a limited number of influential actors. Waddock and Bodwell (2004) have developed the concept of TRM (Total Responsible Management) which is an extension of TQM. This concept has three main processes: Inspiration Processes; Integration Processes; and Innovation and Improvement Processes. For a medium-sized company like Löfbergs Lila, the choice was to obtain the value chain responsibly through collaboration with other companies (International Coffee Partners) and using external quality standards (eco- and social-certification).

5. **Service experience**: The service experience is a service process that creates the customer’s cognitive, emotional, and behavioural responses, resulting in a mental mark, a memory, according to Edvardsson et al (2005). This also has a service quality dimension (Enquist et al, 2007). For Löfbergs, this has been an emerging insight, not least in relation to vending customers.

My thesis has recognized Löfbergs’ processes surrounding every one of these five concepts and the coffee company has different ambitions as regards handling these issues. In areas where Löfbergs can do more, it might be fruitful to look at other actors in the coffee context, which has grown considerably largely due to excellent practices linked to each “concept”. One fitting concept area like this is the last one: the service experience.

Michelli (2007) has written the book “The Starbucks Experience”. He tells the story of how Starbucks turned a cup of coffee into a worldwide service business. On the Master’s course “service management control”, I got the chance to get to know the Starbucks experience in our case study of Starbucks (Bott et al 2006). I will argue, with inspiration from that case study, for more learning processes regarding the fifth concept “service experience” for Löfbergs. Starbucks has not only reinvented the coffee experience once, but is constantly trying to stay open-minded and renew itself as a strategy to stay firm in the long-term perspective. “We’re not in the coffee business serving people. We are in the people business serving coffee” (Schultz & Jones Yang 1997, p. 250). Starbucks is a values-based service company based on strong guiding principles (values) which build a basic framework for all the actions undertaken in the world of Starbucks. The following list presents the guiding principles of Starbucks (ibid.):

(1) *Provide a great work environment and treat each other with respect and dignity.*
The conclusion of the study ...

(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.

The service experience is based on the customer experience. Central themes are communication and building trust. In Edvardsson et al (2006), communication is the central part. It is about values-based service branding and marketing communication, and the importance of communicating values to stakeholders. In Waddock and Bodwell (2004), the central theme is “Managing Responsibility” which concerns building quality and trust. The Starbucks principles help the employees of that coffee company to interact with their customers in order to create customer value (Vargo and Lusch, 2004) where economic values; social values; environmental values; and the communication of these values to stakeholders (Edvardsson et al, 2006) help to create the service experience.

Is this applicable to the Löfbergs context? Waddock and Bodwell (2004) write about the inspiration process based upon strong values and stakeholder involvement. Furthermore, the integration process, aimed at coping with the importance of integration into and measurement in the management system (see Table 1, Chapter 3 above). Here, we can see that Löfbergs has had a proactive strategy, making environmental issues more and more important in its business model. The last process, Innovation and Improvement Processes, concerns the joint learning processes with customers. This is also about opening up the business to achieve transparency and accountability.

It is in the “Innovation and Improvement Processes” that the interaction between Löfbergs and its customers takes place. As the roaster’s customers, a business-to-business-to-consumer perspective needs to be considered. The vending customer’s customers are the ones buying Löfbergs’ coffee in the coffee shop, but they similarly constitute customers in the “domestic” in the food store. By strengthening and improving the service quality through interaction with “the customer”, from a values-based view, Löfbergs has a chance to improve the experience. We could call it the “Löfbergs experience”. On the basis of Löfbergs values, environmental and social service quality features will improve the customer experience.

In Holland, there is a coffee company with coffee shops and coffee-roasting houses known as Simon Lévelt. In 1976, this company introduced a policy for corporate social responsibility (although the term had not been invented then). In 1980, Simon Lévelt introduced biological tea and in 1984 biological coffee. For a long time, the company has tried to act as a transparent and trustworthy link between the customer and the producer. A couple of years ago, an information system was set up giving consumers full insight into the origins of the coffee and tea on the Simon Lévelt website. The stimulus to get consumers to choose sustainable consumption has worked (Cramer 2006).

The case of Simon Lévelt is about transparency. This coffee company uses a number of “high” standards (Max Havelaar, Demeter) similar to the ones Löfbergs uses. In Sweden, Löfbergs is joining forces with NGOs, certification organisations, and others to promote sustainable coffee consumption. But Löfbergs does not always display a very transparent attitude and strategy when dealing with conventional (non-certified) coffee. I argue that more can be done to improve transparency and increase service quality for the customers. Recent figures
The conclusion of the study ...

regarding Löfbergs’ coffee sales support my argument. In 2007, a boom has begun in sustainable coffee sales. A quarter of the Löfbergs Lila coffee offered in the so called ‘vending market’ (the vending market constitute 30% of all coffee for the roster) is certified today (Organic, Fair Trade, or both). Of that amount, over 14% is both Organic and Fair Trade certified. The service quality has been improved through interaction with customers and Löfbergs has been remarkably successful thanks to a long-term sustainable strategy supported by Löfbergs’ core values. But it will take more than sustainable features to improve service quality and, by extension, also sales. Today, Löfbergs is strong in the vending market. Of key importance, thus, is using vending customer’s customers to find a way to create a link with domestic decisions by improving the service quality.

The above reflection on expanding the service experience concept shows the importance of communicating with the customers (end-users) in the vending market, as well as those in the domestic market. To do this, all five concepts have been used. I have shown, with my Master’s thesis, that values drive value when creating sustainable service business and not only in the case of large multi-national companies, but also in the case of medium-sized companies like Löfbergs. Further research needs to be done in this area.

“… it’s probably the case that the core values are very much a part of the company right from the start and then you do things on the basis of these which are adapted to what is happening in society or what is about to happen. There are, of course, advantages and disadvantages to old companies, but if you use these values in a positive way then you can reap the advantages. It’s a matter of not getting stuck in old thinking and instead using the values as a good base, a base to stand on in order to feel that you are with the times” (Kathrine Löfberg, 20-11-2006).
6. References


References


Interviews


Löfberg, A. (Owner and Working Chairman) at AB Anders Löfberg HQ in Karlstad, 12-12-2006.


Eriksson, E. (Quality Manager) at AB Anders Löfberg HQ in Karlstad, 08-12-2006.

7. Appendix

Interview guide

This interview guide is an attempt to show how the empirical findings were created through several interviews. Different interviews with executives and owners in AB Anders Löfberg had different intentions. The first one, I made together with Linda Persson (Making an master’s thesis in environmental science). Each one of us brought lots of questions and topics to Kathrine Löfberg. Mine were the following:

- **Löfberg’s values** *(topics)*  
  **Questions:**  
  - Which values existed more or less from the start and which ones are newer?  
  - Can some of them be seen as adjustments to external demands?

- The specific innovative product development caused by environmental demands when Löfbergs chose to get rid of all aluminium in 1992? *(topics)*  
  **Questions:**  
  - What were you thinking when the process of the new aluminium-free packaging was initially started.  
  - How dared you take the decision when everyone was using aluminium?

- The amount of Fair-trade coffee today and about new varieties. *(topics)*  
  **Questions:**  
  - There are indications that the amount of Fair-trade coffee has rapidly increased in the latter year. Do Löfbergs increase its amount equally to the mean or better than its competitors?  
  - It seems like Löfbergs has spend a lot of time developing environmentally and social responsible products which are certified through a third party. How is the total market share for these coffees and how is the share divided into home-buying market and vending market?  
  - How is your strategy in the matter of pushing the consumers towards buying whole bean coffees?

- The Environmental management system. *(topics)*  
  **Questions:**  
  - Are there special staff and certain employees working with these environmental questions with greater responsibility?

- Sustainable development within Löfbergs. *(topics)*  
  **Questions:**  
  - In society there are so many views what the concept of “sustainable development” means. What is Löfbergs point-of-view of the term? (the question was asked by Linda)  
  - You often talk about “making safe products for the producer” (farmer/grower), what does it mean in concrete terms?
✓ Verified environmentally management systems, reports and co-operations with NGOs and others.

Questions:
- Some companies working with issues like you do, sometimes starts to do a yearly “sustainable reports” and maybe verify it with a third part. How are your thoughts concerning that matter?
- Another task more commonly today, is the co-operation with NGOs and other organisation to learn and to strengthen ones credibility in these matters. What is your standpoint?
- How does the cooperation/partnership with the Swedish Society for Nature Conservation look like? (the question was asked by Linda)

Interview with Eva Eriksson (Quality Manager):

✓ The concept / value of “safe products”. (topics)

Questions:
- What do you encapsulate in the concept or value of “safe products”?
- Who makes the practical work concerning environmental responsibility and who is responsible for it?
- How does your working task concerning this area (“safe products”) look like?
- Are there any measurement factors or critical factors within the food safety area that Löfbergs measure?

✓ Actions for “sustainable development” (topics)

Questions:
- Can you give examples what is included in “actions for sustainable development”?

✓ The Work Environment (topics)

Questions:
- What actions in the “sustainable development” area concerns the work environment and in what way is it a part of Löfbergs’ CSR work?
- Do you set goals and measure the work environment?

✓ Process objectives (topics)

Questions:
- How and what do you measure in terms of continues followed up objectives and quality objectives besides profit, turnover and product volumes?
- What is included in you internal management system?
- Have you got a “code of conduct” that suppliers need to agree on, in order to supply coffee or tea to you?
- What are the reasons for choosing other quality certifications systems than the environmental ones and therefore not being verified by third part in the environmental responsibility area?

This following interview was brought about after the interview with Kathrine Löfberg. Her father, the former president Anders Löfberg, was holding on to interesting knowledge about the time when the process getting rid of aluminium packaging started. My reason for the interview with Anders Löfberg was therefore to get this narrative.
The process around getting rid of aluminium packaging (topics)
Questions:
- How did you dare go against the “consensus” claiming that aluminium was the ultimate material for packaging of coffee beans?
- Was the transformation taking place when new investments in packaging were about to happen anyway?
- Do you remember what time period the transformation were taking place?
- Did the competitors understand what you were planning before the transformation?

How competitors did chose to react. (topics)
Questions:
- How quickly did your competitors follow this transformation?
- Many of your competitors don’t use paper, why do you?

Other positive features concerning the new packages. (topics)
Questions:
- Has the packages become cheaper than before?
- Have you got any weight difficulties concerning the coffee packages like if they are too heavy to fill up a truck or train?
- Did you gain any direct market share caused by the transformation?
- How much waste did the new packages save?

Trends linked to environmental and social issues (topics)
Questions:
- Different periods have had different issues to question concerning environmental and social responsibility, can you tell me something about how you have experienced this?
- How do you feel that Löfbergs has managed to tackle environmental and social responsibility?