

# Corporate Social Responsibility in the Coffee Industry

---

Master Thesis submitted in fulfillment of the Degree

Master of Science

in International Tourism Management

Submitted to Dr. Ursula Christine Loisch

Antonia Ria Markoulakis

1013003

Vienna, 8<sup>th</sup> June 2012



# **AFFIDAVIT**

I hereby affirm that this Master's Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

---

Date

---

Signature



## ABSTRACT

Corporate Social Responsibility (CSR) is a prevalent topic today whether it is in business or in academia. The last 40 years have seen a constant evolution of the concept of CSR and many things have been written about it. Today CSR practices do not constitute a matter of whether to implement it or not, but how to implement it. The dialogue around CSR has seen a shift from philanthropic practices that aim to improve a company's corporate image to strategic CSR, which is aligned with a company's core strategy

According to Porter's (2006) theory, strategic CSR can lead to an added competitive advantage. When a social dimension is added to the value proposition of a company, making it an inseparable part of the company's core strategy then the most strategic CSR can occur. The purpose of this thesis is to investigate whether CSR strategies can improve the market performance of a company. The coffee sector was chosen as the field for analysis, as it is known for its numerous ethical issues and direct impact to so many lives. Six well known coffee companies with a combined revenue totaling almost 18 billion € were selected and analyzed. The study was based on a content analysis method, which tried to analyze and identify the CSR activities from all the data available from the companies websites. The findings reveal that companies that are turning over significantly more revenue than others, have the resources to act and showcase much more relating to their CSR activities and actions.

Almost all the coffee companies analyzed place strategic CSR at the core of their strategy with Starbucks and Nespresso leading the way. Overall it was found that market performance is significantly improved by adopting CSR relating strategies. Further transparency is required to be able to measure and evaluate the CSR initiatives regarding their overall sustainability efforts, but as a whole the industry is by far in a much better position compared to other industries.

There is a long way to go before an absolute social dimension can be created by all companies analyzed. Further research in the field is required to enable business and academics to create better evaluation and measurable methods concerning their CSR activities, possibly considering community and employee relations in a similar but larger study. Government should also get involved to introduce minimum sustainable standards and other industries should also get involved to exchange expertise in the field and take strategic CSR to worldwide acceptance.



## **ACKNOWLEDGEMENTS**

The author wishes to thank Ursula Loisch for assisting and guiding her in her educational path. By providing her with constructive feedback the author had the freedom to grow and express her thoughts as much as possible. Furthermore a word of thank you is been given to her family, as she would not be able to start nor to finish this thesis without their continuous support.



# TABLE OF CONTENTS

Affidavit .....	I
Abstract.....	III
Acknowledgements .....	V
List of Tables.....	X
List of Figures.....	XI
1. Introduction .....	13
1.1 Context and previous research .....	13
1.2 Research aims and objectives .....	14
1.3 Outline of the thesis .....	14
2. Corporate Social Responsibility (CSR) .....	17
2.1 History of Corporate Social Responsibility.....	17
2.2 Defining Corporate Social Responsibility .....	20
2.3 Arguments for and against CSR.....	23
2.3.1 Arguments for CSR.....	23
2.3.2 Arguments against CSR.....	24
3. Porter's Competitive Five Forces Model .....	25
3.1 History and Development of the model .....	25
3.2 Competitive Analysis using Porter's Five Forces Model on the Coffee Industry .....	26
3.2.1 Barriers to Entry or Threat of New Entrants .....	26
3.2.2 Bargaining Power of Suppliers.....	27
3.2.3 Bargaining Power of Buyers .....	27
3.2.4 Threat of Substitute Products.....	28
3.2.5 Competitive Rivalry .....	28
3.3 Conclusion & Limitations .....	29
4. CSR as a Competitive Advantage .....	31
4.1 CSR Today .....	31
4.2 Linking CSR to Strategy .....	31
4.3 Strategic CSR.....	32
5. Methodology.....	35
5.1 Quantitative and Qualitative Methods.....	35
5.2 Evaluation Criteria of the Methods.....	36

5.3 Main approaches of the Methods .....	37
5.4 The Case Study Approach .....	38
5.4.1 Categories of Case Studies .....	39
5.4.2 Case Study Design .....	40
5.4.3 Advantages of Case Studies .....	40
5.4.4 Disadvantages of Case Studies .....	41
5.5 Operationalization .....	41
5.6 Sample.....	42
5.7 Setting.....	42
6. Document Analysis.....	45
6.1 Starbucks .....	45
6.1.1 Economic Responsibilities - Be profitable.....	47
6.1.2 Legal Responsibilities - Obey the law .....	48
6.1.3 Ethical Responsibilities - Be ethical .....	49
6.1.4 Philanthropic Responsibilities - Be a good corporate citizen .....	51
6.1.5 Conclusion.....	53
6.2 Nespresso .....	53
6.2.1 Economic Responsibilities - Be profitable.....	58
6.2.2 Legal Responsibilities - Obey the Law .....	58
6.2.3 Ethical Responsibilities - Be ethical .....	59
6.2.4 Philanthropic Responsibilities - Be a good corporate citizen .....	62
6.2.5 Conclusion.....	62
6.3 Tchibo .....	63
6.3.1 Economic Responsibilities - Be profitable.....	64
6.3.2 Legal Responsibilities - Obey the law .....	64
6.3.3 Ethical Responsibilities - Be ethical .....	65
6.3.4 Philanthropic Responsibilities - Be a good corporate citizen .....	67
6.3.5 Conclusion.....	68
6.4 Lavazza .....	68
6.4.1 Economic Responsibilities - Be profitable.....	70
6.4.2 Legal Responsibilities - Obey the law .....	71
6.4.3 Ethical Responsibilities - Be ethical .....	71
6.4.4 Philanthropic Responsibilities - Be a good corporate citizen .....	72
6.4.5 Conclusion.....	73
6.5 Costa Coffee.....	73
6.5.1 Economic Responsibilities-Be profitable.....	74
6.5.2 Legal Responsibilities - Obey the law .....	74
6.5.3 Ethical Responsibilities - Be ethical .....	74
6.5.4 Philanthropic Responsibilities - Be a good corporate citizen .....	75
6.5.5 Conclusion.....	76
6.6 Illy .....	76
6.6.1 Economic Responsibilities - Be profitable.....	77
6.6.2 Legal Responsibilities - Obey the law .....	78
6.6.3 Ethical Responsibilities - Be ethical .....	78
6.6.4 Philanthropic Responsibilities- Be a good corporate citizen .....	79

6.6.5 Conclusion.....	81
7 Intepretation .....	83
7.1 Reaching beyond Carroll's (1991) CSR Pyramid Model .....	83
7.2 From CSR to Strategic CSR .....	85
7.3 Answering the Research Question .....	87
7.4 Limitations of the Thesis .....	88
7.5 Recommendations for future research .....	89
8 Bibliography .....	91

**LIST OF TABLES**

Table 1: Differences between quantitative and qualitative research.....36

Table 2: Summary of Comapnies Responsibilities.....45

## **LIST OF FIGURES**

Figure 1: Carroll's CSR Pyramid (1991).....	21
Figure 2: Porter's Five Forces Model .(2008).....	26
Figure 3: Setting of the Thesis.....	43
Figure 4: Going Beyond Compliance and Sustainability.....	55
Figure 5: Nespresso Three Growth Drivers.....	56



# 1. INTRODUCTION

Corporate Social Responsibility (CSR) has grown significantly as a global trend in both the management literature and the modern economy over the past twenty years. Maybe the turbulence of scandals like Enron, WorldCom and Parmalat, which went down in the history of business as cases to avoid, in combination with the external environmental and social changes are the main issues that have prompted organizations to reconsider their responsibilities towards their different stakeholders. (Fraser, 2008)

According to the consulting firm KPMG, out of Global Fortune 250 firms 80% release information on corporate social responsibility, an increase of 50% from 2005, and 75% have a formal CSR strategy in place. From the above statistics there is no denying that socially responsible activities are becoming more and more an integral part of how businesses operate and this trend will undoubtedly continue to grow. (Misani, 2010) Therefore, CSR seems more like a phenomenon, which is not only gaining ground within corporations, but it is becoming more and more linked with the company's image. This raises the question, if CSR is influencing and changing the way businesses are operating then there must be an expectation from the company and its shareholders that it will lead to a better market performance.

The purpose of this thesis is to investigate to what extent companies can improve their market performance by adopting CSR and CSR related strategies. There are well-developed concepts and theories, which support the idea that CSR can add value to the competitive advantage and lead to success (Porter et al., 2006). In order to determine the validity of this concept, the coffee sector was chosen as the case study.

As coffee cultivation, production and trade, among other commodities, belong to the most important and controversial industries, CSR activities are thriving. The interesting aspect will be to identify whether companies within the coffee industry that predominantly source their coffee from developing countries, are implementing CSR activities, and whether they are able through these activities to differentiate themselves in the market place and improve their performance.

## 1.1 Context and previous research

The choice of the subject stemmed from the author's personal interest in CSR and the potential it has to enhance the way society operates in the future. In her effort to find a field to scrutinize the CSR concept, coffee inspired her as it is one of her daily habits. During a research conducted about the history of coffee on the Internet, it was found that evidence of coffee drinking or the knowledge of the existence of coffee trees could be placed in the middle of the fifteen century in South Arabia (Weinberg et al., 2001). Additionally, social, environmental and trade issues are prevalent topics within coffee

production. Thus, as coffee is one of the oldest traded commodities and one that is afflicted by many controversies, it was of big interest for the author to identify how coffee companies in the modern time are operating according to the CSR philosophy.

In addition, Porter's (2006) article, "Strategy and society: the link between competitive advantage and corporate social responsibility" inspired the author to narrow down her research question, and the article by Holcombs et al. (2007) titled, "Corporate social responsibility: what are top hotel companies reporting?" provided guidance on how to proceed with the research.

## **1.2 Research aims and objectives**

This thesis will examine the evolution of the ideas following CSR and it will try to investigate to what extent CSR as a strategic tool can lead to improved market performance.

This leads to the following research question: *To what extent could the implementation of CSR strategies be an appropriate tool to improve market performance and succeed in the coffee industry?*

The following objectives are going to be met:

- To identify relevant theoretical models which support the importance of CSR in the academic literature.
- To examine whether CSR models are implemented within the coffee industry and to what extent.
- To identify whether companies within the coffee industry can improve their market performance by using CSR related strategies.
- To critically evaluate the effect these CSR strategies have on their market performance.

These objectives are set by the author in order to be able to give recommendations for the various companies investigated within the coffee industry. More specifically, on the basis of the research the author will try to evaluate whether it is really worth to invest in CSR strategies, and whether it really makes any difference in enhancing a company's competitive advantage.

## **1.3 Outline of the thesis**

A brief outline of each chapter is given in order to provide the reader with an overall summary of the content:

- **Chapter One:** The reader is provided with a general introduction, background information, the aims and objectives and the research questions designed for the purpose of this thesis are outlined.
- **Chapter Two:** The importance and the history of CSR are defined. Various definitions are provided and one of the most prominent definitions in the academic literature is utilized as the framework for analysis. Furthermore, the advantages and disadvantages of CSR are analyzed in order to give a holistic idea of the CSR concept.
- **Chapter Three:** An introduction and historical background of Porters' competitive five forces model are outlined. By using this model an analysis of the coffee industry is provided that will enable the reader to better understand the sector.
- **Chapter Four:** Strategic CSR is defined as the necessary tool that companies need to adopt in order to be competitive and successful in the market place.
- **Chapter Five:** Quantitative and qualitative primary research methods are identified, and the reason why a qualitative approach was chosen to fulfill the aims of this thesis will be analyzed in detail. The reason for choosing the case study approach in the form of document analysis as the framework to interpret the data of this thesis will also be outlined.
- **Chapter Six:** The findings of the coffee companies chosen are analyzed, compared and contrasted with the results of the secondary research.
- **Chapter Seven:** All the findings are interpreted in order to answer the research question and a critical evaluation of the thesis is provided. Finally, the author offers future recommendations based on the outcome of this thesis.

In the next chapter the author will critically evaluate all the relevant academic literature dealing with the subject of CSR.



## 2. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The literature review will begin (2.1) by giving a historical perspective regarding the evolution of CSR from the Second World War to its current status. In section (2.2) CSR will be identified as a concept, and a number of definitions that can be found in the academic literature will be discussed in detail. Which of those definitions of CSR will be used for the purpose of this thesis will be analyzed, and the reasons why this specific definition was chosen will also be explained. In section (2.3) arguments for and against the case of CSR will offer further insight into the dilemma that businesses face when trying to adopt CSR.

### 2.1 History of Corporate Social Responsibility

The roots of CSR can be traced back well before the Second World War, but the author will discuss its evolution since then. The responsibilities that fall under the purview of the management should also include any issues concerning a company's employees, customers as well as the general public and not only focus on profit (Abrams, 1951). One of the significant books that started shaping the essence and the discussion of CSR was that of Howard R. Bowen published in 1953 under the title *Social Responsibilities of the Businessman* (Carroll et al., 2010).

The suggestion that managers should have the role of a public trustee, supporting causes that are good in the form of corporate philanthropy and dealing with corporate resources were the three main ideas that were prevalent in the 1950s according to Frederick (2006). During this time the notion of CSR was not linked with business in a way that it was obvious that it would benefit society (Carroll et al., 2010). The decade ended with Levitt (1958), who was against the idea of CSR as he believed that it was potentially dangerous for business.

Notwithstanding Levitt's (1958) criticism, CSR grew in popularity in the 1960s due to the social movements of the time and various academics who sought to further identify what benefits CSR could bring to business overall. Most of these movements took place in the US and included the environmental movement, consumer rights, rights of women as well as the civil rights movement (Carroll et al., 2010). CSR evolved as a result of these various movements, as activists applied increasingly greater amounts of pressure on companies to start implementing initiatives to address the attitudes, practices and policies in regards to their social responsibility.

Although CSR was significantly discussed and developed in the academic and business literature, there was some concern about Levitt's (1958) suggestion that business should be wary of the 'dangers of social responsibility'. Levitt believed that companies should not be responsible for any issues concerning the society and that this should be

the responsibility of government. His main fear was that if a company starts focusing on social issues, it would stop focusing on profit maximization, which was essential for the success of any business.

Apart from this belief, the CSR notion was developed further in the 1960s by a number of key academics. The main question at the time was how important CSR was to society and businesses and what it really meant. Davis (1960,p.70) suggested, "*Businessmen's decisions and actions are taken for reasons at least partially beyond the firm's direct economic or technical interest*". Frederick (1960,p.60) implied that "*Businesses' resources should also be used for broad social goal*",and McGuire (1963) argued that the legal and financial obligations of a company are not enough, and that a business should assume responsibilities concerning the society in an effort to be socially responsible.

Murphy (1978) called the two decades of the 1960s and 1970s the 'Awareness' and 'Issue' eras of CSR. This was largely due to the overall shift that was taking place in the realm of social consciousness,trying to understand what the responsibilities to society were, being involved in the community,minimizing discrimination,taking steps to minimize pollution,as well as focusing on the philanthropic nature of business (Murphy,1978). Before the 1950s academic literature focused on the maximization of profits and the management of the trustees,while after the 1950s CSR development was taking a different approach and was characterized as a period of 'Quality of Life Management' (Hay et al.,1974).

The periods of the 1960s and the 1970s in regards to the CSR evolution were characterized as 'a stage of corporate social responsiveness' by Frederick (2008) cited in Carroll et al. (2010,p.87). It must be noted that a connection between financial performance and social responsibility was absent during the 1960s (Lee,2008). This meant that businesses were not expecting any returns for being socially responsible (Carroll et al.,2010).

Moving into the 1970s formal definitions started to take shape with a strong focus on corporate social performance (CSP) (Carroll,1999;Sethi,1975). According to Carroll et al. (2010,p.87),"*The 1970s was the decade in which corporate social responsibility,responsiveness and performance became the center of discussions*".

One important aspect arising during this period of time, as noted by Ackerman (1973) and Murray (1976) was that businesses were taking an increased interest in social issues and were starting to respond to them rather than 'assuming responsibility'. Corporate social responsibility (CSR1) was then differentiated from corporate social responsiveness (CSR2) by Frederick (1978), who defined these two separately. While CSR1 had its focus on the fact that business was "assuming" responsibility,CSR2 had its focus on the actual act of accomplishing an attitude towards society that was responsible (Frederick,1978). By the middle of the decade there was a significant discussion about

CSP in the literature. CSP was trying to bring together both aspects of CSR1 and CSR2 and highlight their importance, as well as emphasizing the effect of the results of initiatives that are socially responsible (Carroll, 1979; Wartick et al. 1985; Wood, 1991).

Moving into the 1980s a popular rise was noted in alternative themes that came about from extensive empirical research, while no major new definitions in regards to CSR were reported (Carroll et al., 2010). According to Carroll (1999, p. 288), "*These CSR variants included corporate public policy, business ethics, and stakeholder theory/management as well as further development in CSP which arrived on the scene in the 1970s*".

As the 1980s carried forward an ethical culture was encouraged within businesses. Frederick (2008) called this period the 'corporate/business ethics stage', as cited in Carroll et al. (2010, p. 87). Trying to find a connection between corporate financial performance and CSR was a prevalent feature during this time that according to Lee (2008, p. 58) "*Became the order of the day*".

Trying to reach global acceptance, CSR moved into the decades of the 1990s and 2000s. This has become known as the era of global corporate citizenship (Frederick, 2008). From the early 2000s until 2008 the global stage was dealing with the fall out of the Enron scandal, and from 2008 onwards to today the world has been trying to deal with the fall out that has been caused by the collapse of the global economy, which started when the Wall Street scandals erupted one by one such as Maddoff's fraud and the collapse of Lehman Brothers to name but a few. It is undoubtedly that these consequences will be felt for years to come (Carroll, 2009).

Despite these scandals attempts to legitimize CSR within businesses as much as possible are ongoing (Carroll, 2009; Carroll et al., 2010).

The idea of being socially responsible continues to inspire growth despite its occasional hurdles such as concerns over business ethics, which have at times caused people to question the idea. Nevertheless, in continental Europe as well as the UK significant progress in regards to the development of CSR has been made (Moon, 2005). Another theme that has become key for the further development of CSR was the idea of sustainability or sustainable development, which started appearing in the academic literature and the business world in the early 2000s (Carroll et al., 2010).

After reviewing the historical development of CSR, it will be interesting to see how it will develop and evolve in the years to come. The evolution it has made over the last fifty years is immense, progressing from an idea to a key concept that has become a necessity for business. The author feels that CSR as a concept will undoubtedly continue to grow and become more and more an integral part of any company, as being socially responsible will be a necessity to succeed in the business world.

## 2.2 Defining Corporate Social Responsibility

Finding an exact definition of CSR is a challenging task as there are numerous academics that have tried to define it, and various definitions can be found in the academic literature as a result of this. Some of these include the notions of 'corporate citizenship', 'corporate social performance', 'sustainable business' and others (Crane et al., 2005).

For instance, the instrumental stakeholder theory suggests that CSR can have a positive influence on the relationship a firm has with its stakeholders. It can also add to the bottom line, as they will want to do business with a company that adopts a responsible behavior (Barnett, 2007).

Simply put, CSR is defined by the European Commission as "a concept whereby companies integrate social and environmental concerns in their business operations on a voluntary basis" (Commission of the European Communities, 2001, p. 6). This definition is used by some of the leading companies in Europe and is also considered a basis for the European Policy on CSR (Ellerup et al., 2007).

CSR is considered as a social contract between the stakeholders and their own company, which is unique to them as they are the ones who define it (Bowd et al., 2005). 'Autonomous' and 'responsive' approaches are two further approaches to CSR as suggested by Tullberg (2005). In the responsive approach, as society is becoming more and more demanding, companies should be able to respond to the best of their abilities so as to act responsibly. In this approach managers are given the opportunity to consider any potential reactions that come from the public that will enable them to formulate strategies and deal with them accordingly. In the 'autonomous' approach a more independent way is adopted by organizations while formulating strategy. (Tullberg, 2005)

Bowd et al. (2006, p. 150) conducted a thorough analysis of the various existing definitions regarding CSR, both in the professional and academic literature, and identified a number of points that they believe are essential for CSR: "*Proactive community involvement, philanthropy, corporate governance, corporate citizenship, addressing of social issues, a commitment to the quality of its products and services, human rights, health, safety and the environment...*".

The author of this thesis agrees with Bowd's suggestion because all of these aspects are elements that make up what CSR is all about. It must be noted, however, that philanthropy could be considered a complimentary element rather than an essential element.

Carroll (1979,p.500,1991,p.283) defines CSR as: “*The social responsibility of business encompasses the economic,legal,ethical,and discretionary (later referred to as philanthropic) expectations that society has of organizations at a given point in time*”.

More specifically, Carroll (1979,1991) as well as Wood (1991) are considered pioneers in the field of CSR and have been instrumental in identifying and formulating the various levels within an organization in regards to their corporate social responsibilities. They define the responsibility levels as follows:

- *Economic level-* services and products are produced by companies that society needs with the aim to make a profit.
- *Legal level-* the state implies certain rules and laws that companies need to adhere to.
- *Ethical level-* the responsibility that companies have towards satisfying the expectations that society has for them and especially for their practices being just and fair.
- *Discretionary level-* surpassing the view of the stakeholders in what is regarded as fair and just by being an “exemplary corporate citizen” (adapted from Carroll (1979,1991)).

Carroll's (1979,1991) pyramid model is shown in the figure below. (see page 21)

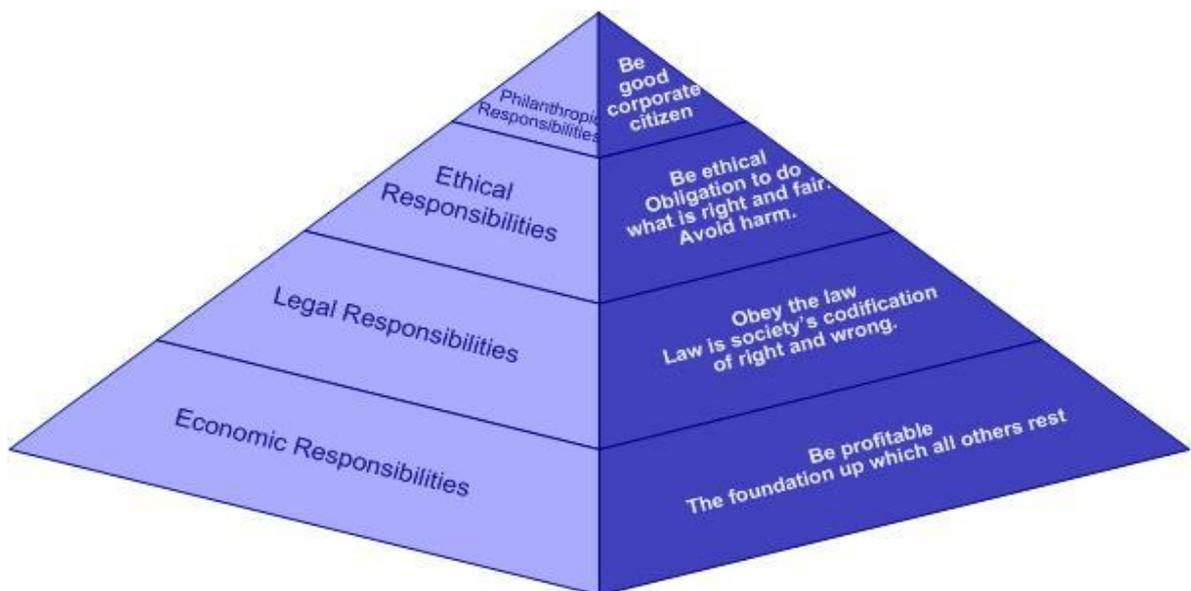


FIGURE 1: CARROLL'S CSR PYRAMID (1991)

Carroll cautions that:

*No metaphor is perfect, and the CSR pyramid is no exception. It is intended to portray that the total CSR of business comprises distinct components that, taken together, constitute the whole. Though the components have been treated as separate concepts for discussion purposes, they are not mutually exclusive and are not intended to juxtapose a firm's economic responsibilities with its other responsibilities (1991, p.42).*

According to Carroll's arguments, the entire fulfilment of a CSR framework depends on the simultaneous execution of these four elements. The foundation of the pyramid is the economic responsibilities of a company, while at the same time the company is obliged to adhere to the requirements of the legislation. Furthermore, the distinction between the ethical and philanthropically level is that the philanthropic responsibilities do not belong to the ethical notion. More specifically, considering that philanthropic activities are voluntary, one should not characterize a company that does not undertake such activities as unethical. The author finds that with this distinction it is underlined that the philanthropic activities are part of the CSR concept and not only a strategy in and of itself.

All these stages and what they entail are still applicable in today's business, but there are a number of aspects in Carroll's model that can be critiqued. The fact that movement is based on the fixed criteria that make up the pyramid approach could act as a barrier for further developing understanding and knowledge (Jones et al., 2009). Additionally, Jones et al. (2009, p.304) believe that the CSR pyramid seems to capture only fractions of the real dynamics that make up the business, economic and social world and at times *"like all models Carroll's pyramid appears as a theoretical abstract removed from the complex realities of the world it seeks to explain"*.

This model for corporate social responsibility is useful both on a practical and a theoretical level. By applying the model and working towards achieving the set goals on each level, a better understanding of the world can be gained. Finally, communication can progress further as the model enables an enhanced understanding of CSR (Jones et al., 2009; Carroll et al., 2010).

For these reasons and the fact that Carroll's definition and model of CSR have been successfully used in academic research for the past twenty-five years (Carroll et al., 2010), the author will use this definition for the purpose of this thesis.

## 2.3 Arguments for and against CSR

This section is divided in two parts. The first part (2.3.1.) will offer a discussion of the positive results for adopting CSR and the second (2.3.2) will offer a discussion regarding the negative outcomes of adopting CSR.

### 2.3.1 Arguments for CSR

One of the main arguments for CSR is that being socially responsible in the long run will be in a company's best interests. In other words, to be able to operate properly in the future a company must take care now of issues including the society, or it will forfeit being able to ensure its longevity and viability (Carroll, 1991).

New regulation could be minimized if companies are able to implement standards that will help them fulfill society's expectations as well as protect themselves (Carroll et al., 2010). Davis (1973, p. 316) is a strong believer in CSR by suggesting that, "*Business has the resources*", and "*Let business try*". These two views have their roots in the idea that within a company there are a number of talented people that make up the management, and with their individual experiences and expertise in various fields such as accounting, human resources, and operations, they could attempt to solve problems regarding the society.

Carroll et al. (2009) suggest, "*pro-acting is better than reacting*". This means that it is better to be prepared for any social issues that may arise, rather than dealing with problems once they have risen. This can happen by planning and anticipating social situations and always being prepared for any drawbacks or problems that can come from them.

The final argument to highlight the importance of CSR is that public opinion today believes that businesses should respond to social issues. There is a public belief that companies should be responsible towards their employees, the community and all their stakeholders by investing a proportion of the revenue that they make, even if it means that their profit will be affected by it (Bernstein, 2000).

Businesses are important and active members of society, it is therefore in their control to maintain and improve the society's prosperity. The author believes that companies do not exist only to make maximum profits for the stakeholders but to serve society as well. Profits exist in order to reward a company's performance, and if it is remarkable it also serves society. If companies stop serving the society, then society will not tolerate their profits and in the long term not even their existence.

### 2.3.2 Arguments against CSR

Since the start of CSR, there have been a number of academics that have contested its validity and have created a number of arguments against it (Carroll et al., 2010). In this section the main themes are discussed.

The late Milton Friedman (1962) was the first to oppose CSR as a concept. Friedman's (1962) main argument was that profit maximization for a company's shareholders and owners should be the management's ultimate responsibility. The free market system that companies operate in should be the one dealing with problems and issues concerning the society, and business people should not be concerned at all with these. He further elaborated on this idea by suggesting that legislation and government should be responsible for dealing with these issues, if the free market system that companies operate in is unable to solve any problems regarding the society.

Hayek (1969) argued that if companies adopt CSR, it takes them away from the main purpose, as issues regarding the society are not really related to a company's ultimate goal. The final argument against CSR is that on a global scale, if a business adopts it, it will not be able to compete on the same level compared with companies who mainly focus on their primary business activities (Friedman, 1962; Davis, 1973).

Another argument against CSR is provided by Davis (1973), who believed activities regarding the society should not be dealt with by business people as they do not have the necessary skill set or expertise to do so, as their main area of knowledge and capability is rooted in finance and operations. Davis (1973) provided another argument against CSR by suggesting that business as it is, already possesses significant power and there is no reason why social power should be added to that.

These arguments have been in the literature for over fifty years and could be considered dated. It must be noted, however, that CSR has come a long way since then and the author feels that going forward with these arguments will no longer be valid.

In the next chapter the author will describe Porter's five forces competitive model and will then critically evaluate the coffee industry by applying this model.

### 3. PORTER'S COMPETITIVE FIVE FORCES MODEL

This chapter will conduct an analysis of the coffee industry using Porter's five forces model. In section (3.1) the history and development of the model will be outlined. In section (3.2) each force of the model will be explained and then applied to the coffee industry. In section (3.3) the possible limitations will be identified and recommendations for future research will also be provided.

#### 3.1 History and Development of the model

In 1980 Porter published his book *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, where the five forces model was initially introduced. It is a strategic framework which companies can use to analyze the current situation of their industry, and in doing so develop their business strategy. By gaining an in-depth understanding of the five competitive forces that act in any given industry, companies can determine how attractive their industry is and how they will make a decision on whether or not they will compete. (Porter, 1980, 1996)

One of the main reasons for developing this model was a reaction to the SWOT analysis, which was considered popular at the time although Porter found it to be 'unrigorous' and 'ad hoc' (Argyres et al., 2002). The Structure-Conduct-Performance paradigm in industrial organizational economics is the basis for his model. Improving the profitability of a company, and assisting governments to improve their industries' stability are some of the problems the five forces have been applied to. (Porter, 1980)

The model is shown in the Figure 2 below. (see page 26)

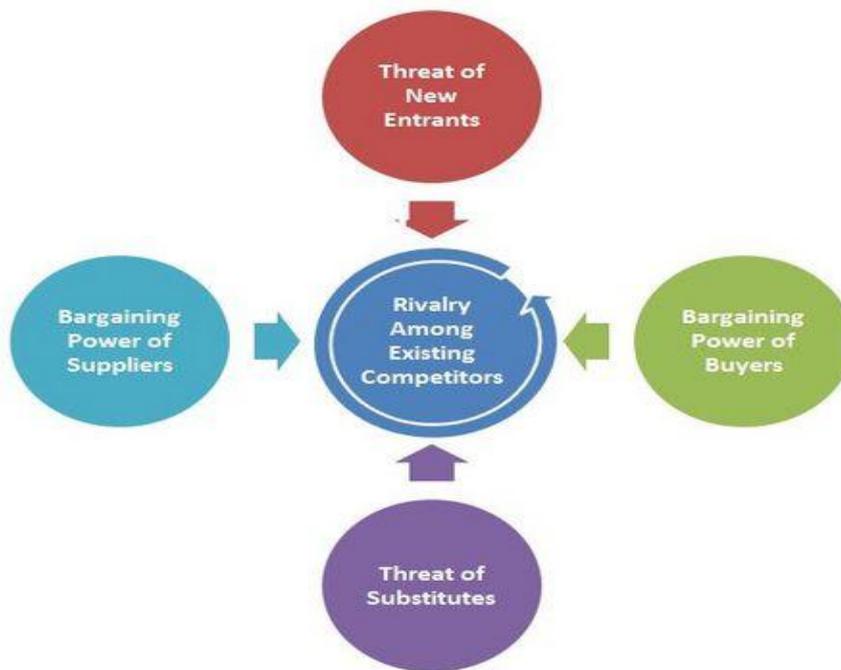


FIGURE 2:PORTER'S FIVE FORCES (PORTER 2008)

## 3.2 Competitive Analysis using Porter's Five Forces Model on the Coffee Industry

In this section a brief explanation regarding each force will be provided and then an application of each force will be done on the coffee industry.

### 3.2.1 Barriers to Entry or Threat of New Entrants

According to Porter there are six main barriers to entry. These are: *Economies of scale*, which means that either there is large scale entrance to the market which will lower the unit production costs, or a small scale entrance which will increase the production cost and therefore create a disadvantage. Two other barriers are described as: *Product differentiation* and customer loyalty. *Capital requirements* for entry, entering a market requires a significant capital requirement. *Switching costs*, deals with how much will it cost to switch from one supplier to another. *Access to distribution channels*, establishing a network of distribution channels in a market where there are already established relationships with distribution channels can be challenging. *Cost disadvantages independent of scale*, means that companies already operating in the industry already have product technology in place, favorable sites, access to raw materials, as well as advantages in the form of government subsidies. (Porter, 1980)

The main barrier to consider when attempting entering the coffee market will be the capital requirements. Capital requirements can be considered low when trying to open one individual store. In an attempt, however, to compete on the same level with other

major coffee chains, capital requirements will be very high as they will have to take into consideration the necessary distribution channels, promotion, marketing, and advertising expenditure so as to be able to win over existing market share. This is evidenced by the fact that there are only a few individual coffee shops in prime locations compared with the number of Starbucks, or Costa coffee outlets across the UK for example.

In addition, similar to the UK any country's commercial property market is controlled and driven by the owners who predominantly demand high rental fees, which presents another barrier in the way of the coffee companies being able to secure favorable locations. In most major cities, these prime locations are already occupied by existing competitors thus the barrier to entry is high.

### **3.2.2 Bargaining Power of Suppliers**

The power of suppliers depends on their ability to determine the competition within an industry. Suppliers have the potential to influence the industry they operate in significantly, as they can influence the quality of their products and any fluctuations in price. Their power is even greater when there are only a few companies in the industry, no substitute products exist, the industry depends on the product, the industry is not considered an essential consumer for the supplier, and there is the potential of forward integration of the specific supplier group. (Porter, 1996)

In the coffee industry the power of suppliers is significantly low. This is because the majority of suppliers come from developing countries, and they are not in a position to raise funds as they depend heavily on their buyers. There are a vast number of buyers to choose from and this further lowers the suppliers' power. In addition, the buyers are heavily involved in the lives of the suppliers. Therefore, their power is lowered even further.

### **3.2.3 Bargaining Power of Buyers**

The power of buyers is important as they are able to bring prices down, have an expectation of increased product quality or service and can therefore determine the profit potential of any industry. If the buyers are fragmented, their power is lowered. Their power is significantly increased when there are large-volume buyers, low switching costs, low profit potential, the product is standardized, backward integration for the buyer group is possible and the product is an essential aspect of the buyers purchases. (Porter, 1991, 1996).

According to a coffee statistics report ([www.top100espresso.com](http://www.top100espresso.com)) there are over four hundred billion cups of coffee consumed each year, which makes coffee the most consumed beverage in the world. Therefore it is an undeniable fact to suggest that in the coffee industry the power of buyers is high. Switching costs are low in the coffee

industry; therefore, additional incentives should be offered by companies so as to be able to retain customers.

### **3.2.4 Threat of Substitute Products**

Substitute products can limit the profit potential of any industry. They are considered a natural progression of the competition that exists within the industry. A substitute product is a product that can do the exact same function as the one already being produced by the industry. The more substitute products become available in an industry the more important they become. (Porter, 1996)

The threat of substitute products in the coffee industry is not considered high. Substitutes or alternative products to coffee include tea, energy drinks, soft drinks, and chocolate. All these are available at coffee shops and other specialty eateries. The main base for competition is opportunity and convenience. The majority of customers buy from these shops when they are on the go, shopping, travelling or meeting other people. This is why all the coffee shops and similar outlets are located in prime locations where the (foot) traffic is very high such as shopping centers, public transportation stations, such as train, tube and airports, as well as in business districts. The question that rises for the buyer as a result is not one of substitute choice, rather one of personal choice in regards to the specific brand.

### **3.2.5 Competitive Rivalry**

There is a natural development of rivalries amongst companies that compete in the same industry. In order to improve their market share and standing, companies utilize means such as advertising, new products, attractiveness of customer service and price competitions. The intensity of the rivalry depends on high fixed costs, nonexistent product differentiation, price cutting techniques, slow growth of the industry, diversity among competitors, investments that are risky, overcapacity and increased risk of exiting the industry (Porter, 1980, 1996).

Rivalry amongst existing competitors is high, because there are a vast number of competitors within the coffee industry that compete for the same customers. All the major coffee chains such as Starbucks and Costa Coffee compete to be at top of the industry. They all have a similar corporate goal - to be the leaders in what they do.

There is a limitation towards product differentiation, but there is a significant differentiation in the variety, the brand and the ambience of the coffee shops as presented to the consumer. Price wars are ripe as the switching cost for customers is next to nothing. (Diaz, 2009)

The fight for market share in the coffee industry is intense as the growth of the industry is static. The market is saturated as the majority of prime locations and outlets in most

areas have already been taken over by the big companies. This means that smaller coffee chains or individual owners do not have a chance compared with the bigger companies and therefore have to settle for less desirable locations or pay premium rental prices. (Diaz,2009)

### **3.3 Conclusion & Limitations**

Porter's five forces model is an essential framework for managers that helps them to shape and implement their strategy on the long term so as to be able to create and sustain a competitive advantage (Porter,1996). There are, however, some major limitations in this model that need to be considered before the final decision on strategy is made.

As the model was built in the eighties, it assumes market structures that are stable and competition that is strong. The dynamics present in the different markets as well as new business models are not considered in Porter's model which raises questions of its applicability in today's fast paced business environment (Prahalad et al.,1990). Nowadays,markets are characterized by competition that is dynamic as they are heavily influenced by the progress of technology. New innovations used by new entrants will have the potential to completely change existing business models in short times. According to Prahalad et al. (1990,p 82): *"In this case the five forces model is of limited value since it represents no more than snapshots of a moving picture"*. Therefore,companies should not formulate their strategies based on this model alone and should consider using other frameworks as well.

How changes are implemented so as to be able to gain a strategic advantage through repositioning is another limitation in Porter's model due to the 'simplification' of certain relationships such as 'strategic alliances' and 'virtual enterprise networks' (Prahalad et al.,1990). Furthermore,the model focuses more on the fact that the performance of the company will be determined by the structure of the industry,underestimating the influence that different companies may have in a specific industry (Hill et al.,2008).

Given the limitations discussed above other frameworks such as the value chain, SWOT analysis and the PESTEL framework should be used in combination to better evaluate the suitability of the industry. As the world economy is trying to recover from the recent financial meltdown any potential new entrants will need to be careful about how they formulate their strategies so as to be able to create and maintain a competitive advantage.

The following chapter will discuss the importance of integrating CSR into a company's core strategy.



## **4. CSR AS A COMPETITIVE ADVANTAGE**

In this chapter the importance of integrating CSR in a company's core strategy will be outlined so as to be able to gain a competitive advantage. In section (4.1) the importance of CSR will be highlighted once again. In section (4.2) the significance of linking CSR to a company's strategy will be conferred and in section (4.3) strategic CSR will be outlined.

### **4.1 CSR Today**

Corporate Social Responsibility is one of the most prevalent topics today in the academic literature, and its benefits to business and society are well documented (Carroll,1979;Porter,1990;Porter et al.,1996;Kulick,1998;Carroll,1999;Porter,2008). The literature has also given specific emphasis on the link that exists between the financial performance of a company and CSR (Garone,1999; Roman,1999; Stanwick,1998).

Implementing CSR related initiatives in an effort to improve a company's standing towards the environment and society has seen millions spent by companies around the world. The results however,have not been as productive as they could have been because business and CSR are often viewed as separate entities that are not interconnected,instead of understanding that they have to work alongside each other. In addition,instead of aligning CSR practices to a company's core strategy businesses adopt CSR initiatives that are more general in nature,therefore not getting the maximum results they can in regards to their specific business. (Porter,2006)

### **4.2 Linking CSR to Strategy**

Stakeholders are putting pressure on companies to reach beyond the idea of just adhering to international codes of conduct and philanthropy that is strategic. They expect to see results from any investments made in CSR related initiatives. There is a demand by governments,civil society groups and non-governmental organizations (NGOs) for businesses to maintain the highest possible standards in relation to human rights, protecting the environment and the provision of resources to local communities (Reich,1998).

It is evident, however, that the majority of companies around the world find it challenging to cope with these high expectations and demands, and there are only a handful of companies that have successfully managed to do so. The main reason why so many companies have so far failed is because their strategy is not aligned with their CSR initiatives and actions (O'Brien, 2001). By allocating funds to CSR initiatives that do not offer any benefit to the actual business itself, the reputation of the company can also be at stake. O'Brien (2001) believes that there are two reasons for this. People dealing

with CSR within the company are allocated a specific budget that they have to distribute to various charities they deem appropriate, so as for goodwill to be created and as many as possible to benefit from it. Unfortunately, what impact this allocation has for the business is unclear. In addition, non-financial assets of a company are not taken into consideration when allocating cash to specific social projects. How these social projects could be directly linked to enhance a company's own objectives is also overlooked. O'Brien (2001, p.4) explains:

*When corporate resources are allocated in this fashion, strengths that make a company competitive in its businesses are not leveraged in ways to benefit society or the company. Companies that follow this approach do not reap the full benefits of their CSR initiatives.*

One such example is the case of ExxonMobil. They have set up a foundation that supports a number of CSR initiatives in the fields of environment, health, education, museums and the arts, community services, women and minority interests. On their website they state:

*In 2010, together with its employees and retirees, Exxon Mobil Corporation, its divisions and affiliates, and the ExxonMobil Foundation provided \$237 million in contributions worldwide, of which \$110 million was dedicated to education (www.exxonmobil.com, 2012).*

None of these donations are linked to the company's business objectives, as their line of business is oil exploration, refinement and processing overseas. Undoubtedly ExxonMobil's efforts contribute to society significantly, but it is reasonable to suggest that if this money had been strategically invested in projects that would benefit the company's overall strategy, financial performance and competitiveness, the results would have been considerably better. Although O'Brien was the one who highlighted this in 2001, the author notes that even ten years later it is still not very obvious, how their CSR initiatives directly link with their corporate strategy.

### **4.3 Strategic CSR**

Porter et al. (2006, p.79) are among the first who have suggested that by aligning CSR to a company's core strategy the true benefits of CSR and its impact on business and society can be realized. They state:

*If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or charitable deed—it can be a source of opportunity, innovation, and competitive advantage.*

More specifically, they suggest a framework that companies can utilize so as to be able to use the interconnection that will lead to business success, as well as have a positive impact on society. By identifying the negative and positive effects that any specific company has on society, they are able to identify which ones they are best able to address. A principle of shared value must be followed by business and society, meaning that there should be a benefit for both. If the benefits lean towards just the one side they will have negative consequences for the other and only offer short-term benefits (Porter et al.,2006).

Strategic CSR is about making a difference compared to the competition, creating a position that is unique and trying through this position to serve a company's customers at the best of its ability, while at the same time being able to lower costs. Porter et al. (2006) suggest that these principles can equally be applied to society as well. They believe that strategic CSR needs to take into account outside-in and inside-out dimensions, as they need to be working together, and it is here that shared value can really be created, as something that is much more than just good corporate citizenship. In addition, companies must create 'a social dimension to the value proposition'. A value proposition that is unique needs to be at the center of any strategy, so as to be able to differentiate themselves from their competitors. When social impact is added to the core of a company's strategy, it is only then that strategic CSR can be fully realized and be successful.

Although Porter's theory clearly suggests that CSR can lead to competitive advantage it is sometimes not that apparent. By investing money that will improve the social and environmental standards of a company, automatically the costs of that company will increase. The company will be compensated in the long run for these additional costs, as it will have gained an added competitive advantage. (Porter et al.,2006) Porter et al. (2006) offer the following two suggestions of how this can be achieved. In the first suggestion, they focus on niche markets such as high end fashion for example and put a strong emphasis on product quality. In the second suggestion, they presume that innovation will be the result of increased standards that will generate a premium position in a market that its competition is driven by technology, as is the case in renewable energies.

The European Competitiveness Report (2008,p. 119), on the other hand, requests that more detailed research is required to fully understand the areas of CSR that can lead to increased competitiveness: *"The overlap between competitiveness and CSR at macro and sector level may be greater than is often acknowledged. More research is required, however, in order to measure and analyze the ways in which CSR might enhance competitiveness at the macro level and sector levels"*.

There are several studies that have been undertaken, books that have been written and a number of key academic papers have been published that attempted to give their

own definition and explanation of the connection between CSR and competitive advantage. There are also several studies that have tried to analyze and examine if any real association can be made with CSR and competitive advantage, but the results have been at best inconclusive (Martinuzzi, 2011). Raghurir et al. (2010,p. 69) have come to the following conclusion: *“After 36 years, 167 studies, and 16 reviews of the relationship between CSR and financial performance, the answer to the debate about whether CSR is profitable is unambiguously clear: it depends”*.

Based on the above critique, the author believes that linking these two concepts together can be a challenging task. In order to complete this thesis, however, the author will enforce Porter's suggestion that by creating a shared value for both the company and society a competitive advantage can be created. It is believed that this will improve and increase the financial performance of the company that applies Porter's theory.

The following chapter will look at the research method utilized for the fulfillment of this thesis.

## 5. METHODOLOGY

This chapter identifies the methodology adopted for the procurement of data for this thesis. After classifying the qualitative and quantitative methods (5.1), an evaluation of the criteria of the methods is discussed (5.2). In section 5.3 the main approaches of the methods are outlined and in section 5.4 the chosen method is analyzed in detail. Operationalization is provided in section 5.5 and the sample used in this thesis in section 5.6. Finally the chapter ends in section 5.7 with a description of the setting of this thesis.

### 5.1 Quantitative and Qualitative Methods

When conducting empirical research two main approaches can be identified: qualitative and quantitative research methods.

The quantitative research is based on the idea that a social phenomenon can be measured and expressed numerically. It is focused in causalities and aims to accomplish results that it is possible to generalize and are applicable beyond the specific study alone. For that reason the representativity of the criteria need to be taken into account when choosing the sample. The data are collected in a way that is standardized. For example the interviewing procedure will be the same for all participants (Flick,2011).

On the contrary, qualitative research is not interested in achieving results that are obtained through specific measurements or a research procedure that is standardized. According to Moore (2000,p. 21), qualitative research is *“developing a detailed understanding of individual’s views, attitudes and behavior”*. Walker (1985,p.121) further points out that qualitative methods can yield *“volumes of exceedingly rich data”*. The main purpose of qualitative research is to assess an already existing phenomenon rather than identifying aspects that are new in the specific study that is being undertaken. The findings will then enable the researcher to develop new theory or formulate new hypotheses (Flick,2011). The data are assembled in an open way by relying on the use of open-ended questions (Flick,2011).

In Table 1 (see p. 36) the main differences of the two methods are outlined.

	Quantitative Research	Qualitative Research
Theory	As a starting point to be tested	As an end point to be developed
Case selection	Oriented on (statistical) representivity, ideally random sampling	Purposive according to the theoretical fruitfulness of the case
Data selection	Standardized	Open
Analysis of the data	Statistical	Interpretative
Generalization	In a statistical sense to the population	In a theoretical sense

TABLE 1: DIFFERENCES BETWEEN QUANTITATIVE AND QUALITATIVE RESEARCH (FLICK 2011,P.13)

## 5.2 Evaluation Criteria of the Methods

To evaluate the quality of the methods chosen for any specific study, the issue of reliability, validity and objectivity needs to be addressed. The method applied has to be evaluated in regards to its reliability, and the results have to ensure validity and objectivity. (Flick, 2011)

Mason (1996) states that the issue of validity and reliability are crucial because in them the objectivity of the research is at stake. Enhancing objectivity ensures the accuracy of the results and findings from the research. The use of triangulation provides the opportunity to the researcher to crosscheck his/her data using multiple data sources or using two methods of data collection.

### - Validity

“Validity describes whether an item measures or describes what it is supposed to measure or describe” (Bell, 1992, p.14). It is a much more sophisticated concept than reliability, and there are many variations which researchers can investigate in attempts at ensuring validity of their results. Bell (1992) points out that researchers involved with smaller projects without complex testing or measurements need to examine the concept of validity deeply. They should also look at results and methods critically. A brief examination of two different aspects of validity is provided.

Burgess (1995, p.15) suggests that researchers are confronted with questions of validity for they often ask: “Can the data that are obtained in studying one situation be general-

*ized to other situations?”(External validity),and “How far does the researchers presence influence the generation of data?” (Internal validity)*

The results of this research were produced from a relatively small sample for six coffee companies. However,the author believes that with a combined revenue of 20 billion Euros it offers a healthy representation of the market and the findings could be generalized.

Internal validity is central to the overall validity of the research. If the researcher’s influence on data generation exceeds a certain limit,the findings of the research will be invalid and void. Notwithstanding the fact that the author acknowledges this challenge and is aware of her ‘negative’ role on the primary research process,she would find it impossible to specifically state how much her presence influenced the outcome of the data collection.

#### - Reliability

Reliability is the extent to which a procedure will produce the same results under constant conditions (Bell,1992). In the case of this study,the reliability of the research results entailed whether or not the same findings would occur if the investigation were carried out in the same manner. The author of this thesis believes that if a similar study would be undertaken in the future the findings would produce the same results as those derived from the data that was collected.

#### - Objectivity

So as to be able to achieve objectivity of any study, the analysis, interpretation and collection of data will need to be standardized. Through this,any influence the researcher may have on the data will be avoided (Flick,2011). Throughout this study the author tried to adhere to a standardized procedure as much as possible.

### **5.3 Main approaches of the Methods**

Both methods have the same forms of data collection that can be utilized in order to complete the respective study. These are: surveys and interviews,observations and studying documents. How the findings are analyzed and interpreted is what differentiates the two methods. (Flick,2011)

#### -Interview

There are structured,semi-structured and unstructured interviewing data collection techniques. With structured interviews, the wording of the question and the order in which the questions are asked is the same from one interview to another. With semi-structured interviews, the interviewer asks certain, major questions the same way each time but is free to alter their sequence and to probe further to gather more information.

With unstructured interviews, interviewers simply have a list of topics, which they want the respondents to talk about, but are free to phrase the questions as they wish and ask them in whatever order seems appropriate (Silverman, 1997).

The advantage of semi-structured interviews is that respondents do not know the questions and can therefore not prepare answers in advance. The interviewer can also use probes to ensure that certain areas are not overlooked. People's attitudes can also be observed. The interviews can be recorded which makes it easier to analyze the data at a later stage. (Silverman, 1997)

Disadvantages of semi-structured interviews include that it can be expensive and time consuming, and that the interviewer is bound by geographical limitations. There is also a risk of the interviewer influencing the course of the discussion and a degree of bias by respondents eager to please or impress the interviewer. (Crimp et al., 1995).

The author of the thesis did not use this method as it was deemed difficult to get in touch with managers from the companies investigated within the coffee industry for the purpose of this thesis. Additionally, the honesty of the answers regarding the topic at hand would also be questioned as the author believes that the managers would almost certainly answer favorably for their respective companies and would further raise the question of validity for the overall outcome.

#### -Observation

When using the observation approach the researcher has immediate access to the procedures and practices observed. There are a variety of observation methods, which differ and depend according to the researcher's role. These are 'standardized observations', 'experiments', 'participant observations' and 'ethnography' (Flick, 2011).

#### - Studying Documents

While in the two other approaches the researcher "*produces*" data (e.g., answers from a survey or observations), in the studying document approach the researcher uses existing data such as documents of an institution, reports, financial data, etc. These data can be visual or textual material (Flick, 2011).

The author of this thesis chose the qualitative studying documents approach in order to carry out the study. Studying documents is part of the case study approach, which will be analyzed in the next section.

## **5.4 The Case Study Approach**

Through the case study method a researcher is able to examine in detail data that comes from a specific context (Yin, 1984; Zaidah, 2007). The subject of study in the ma-

majority of cases using the case study approach derives from a select number of individuals or a specific geographical area, which tends to be small (Yin, 1984; Zaidah, 2007).

This particular method is used in situations such as community psychology, sociology, organizational and management studies, political science, city and regional planning research, business administration, management science, as well as the conduct of academic dissertations (Yin, 1994).

Yin (1984, p. 23) defines the case study research method: *“As an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”*.

An event or a single case can be used for an in-depth longitudinal examination for example in a number of case studies. By conducting an examination that is longitudinal a researcher is able to observe events in a systematic way, collect all the necessary data and analyze all the information. All the results are then reported over a long period of time (Yin, 1984).

#### **5.4.1 Categories of Case Studies**

According to Yin (1984), exploratory, explanatory and descriptive are the three categories of case studies. With exploratory case studies, a researcher takes a specific point of interest in the data of the phenomenon that he or she wishes to explore. Most common questions in this category are ‘when does something occur?’ and ‘how often?’. One example of an exploratory case study is a pilot study, which is undertaken before the real research question and hypothesis can be proposed as it can alter the details of the basis for the specific research (Yin, 1984; McDonough et al., 1997).

So as to be able to analyze the data in question as best as possible, explanatory case studies look at both a deep level and at the surface of the phenomenon looked at (Zaidah, 2007). The most common question used in this category is ‘why’ something is happening (Zaidah, 2003). A theory can be formed based on the data collected and the researcher is then able to test out this theory (McDonough et al., 1997).

The main goal of descriptive case studies is to explain the data as they happen. The Watergate scandal is an example of a descriptive case study (Yin, 1984). They can also be in a narrative form according to McDonough et al., 1997. So as to be able to support the phenomenon that is being looked at, it is imperative for the researcher to start with a theory that is descriptive. This is also considered one of the challenges of this type of case study because if the theory described is not robust, problems can arise when the project is under way (Yin, 1984; Yin, 1994). The author of this thesis chose to use the descriptive approach, as she believes that this type of case study is the most suitable for the fulfillment of this thesis.

### 5.4.2 Case Study Design

It is important to spend time when designing the case study because as a method it has been questioned as a research tool for its lack of vigor. Depending on the research question, a multiple-case design or a single-case design can be adopted by the researcher (Yin, 1984; 1994). The single-case design is most commonly used when there is a lack of cases that can be replicated, such as in the case of natural disasters. The main disadvantage with this approach is that the results cannot be generalized. In order to validate the results, however, triangulation along with other methods can be used to overcome this. (Yin, 1984)

When numerous sources of evidence are used for replication instead of a logic sample, the multiple-case design can be adopted with real life events or phenomena. Both results from multiple and single case design case studies can be generalized, as they are not based on populations, they are predominantly based on theory. (Yin, 1994). Replication can occur through pattern matching, which is a technique that can link numerous pieces of information from the same case to theory. With this technique the results can be supported and enhanced in the multiple design case study (Campbell, 1975). This type of case study will be used for the fulfillment of this thesis because it best fits the criteria so as to be able to answer the research question.

### 5.4.3 Advantages of Case Studies

Case study methods have a number of advantages. Without changing the context the researcher can conduct an analysis of the desired data (Yin, 1984). As the gathering and analysis of data has come from the Internet, the author of this thesis feels that the context of the data has not been changed.

The data in the case study method can be analyzed both in a quantitative and qualitative way, as there are a number of approaches a researcher can take towards the case study such as intrinsic, instrumental and collective (Zaidah, 2007). There are case studies, for example, that require numerical responses from their subjects (Block, 1986; Hosenfeld, 1984) or qualitative data that would offer valuable information on a subject's behavior (Zaidah, 2007). Yin (1984, p.25) points out, however, that researchers: *"Should be careful not to confuse case studies with qualitative research as case studies can be based entirely on quantitative evidence"*.

Case studies can produce and explain the data gathered in a 'real-life environment', and they are also able to explain any complications that may arise in 'real life situations', which is not the case with qualitative or quantitative research (Zainal, 2007).

#### 5.4.4 Disadvantages of Case Studies

Case study research does not come without its criticism. Yin (1984) has identified three main reasons why a researcher could decide against using this method. Lack of rigidity is the first criticism that characterizes case studies. Yin (1984,p. 21) notes that: *“Too many times,the case study investigator has been sloppy,and has allowed equivocal evidence or biased views to influence the direction of the findings and conclusions”*. The author of the thesis feels that with the help of her supervisor this has been avoided.

Secondly, as only a small number of subjects is used for analysis there is little basis to generalize the findings. *“How is it possible to generalize from a single case?”*is the question most frequently asked regarding this matter (Yin,1984,p.21). Due to the small number of cases used, they have also been characterized as ‘microscopic’(Yin,1994). The case study method is not concentrated on gathering large amounts of samples,therefore setting the right objectives for the research and establishing proper parameters is considered more important than a large sample (Hamel et al.,1993; Yin,1994). The author of this thesis believes that the sample chosen is sufficient to fulfill the needs of this thesis.

Thirdly,case studies are considered by some as too time consuming,challenging to perform, and there is a vast amount of information and documentation that comes with it (Yin,1984). Ethnographic or longitudinal types of case studies can over a certain period of time gather massive amounts of data,which brings with it the possibility that the data is not managed in the appropriate way (Yin,1984). This is not the case with this thesis, and the author believes that the data was managed in the best possible way.

### 5.5 Operationalization

After identifying in the literature review Carroll’s (1991) CSR pyramid as the model most used in the academic literature over the past twenty-five years,the author of this thesis feels that this model will be best suited as a template for analyzing the CSR activities of the companies chosen within the coffee industry.

There are four levels of responsibility in the model which are economic,legal,ethical and philanthropic. Each level of responsibility will be identified through the type of activities each company is undertaking and will then be analyzed and compared with the theory. In addition,the author will endeavor to identify the extent to which the companies analyzed have CSR activities embedded in their strategy which are directly linked with the company’s overall goals and objectives,as per Porter’s suggestion (2006). Finally,the author will try to identify whether a link exists between each company’s CSR and its market performance.

## 5.6 Sample

The following companies were selected from the coffee industry for the purpose of this thesis. Initially seven companies were taken into consideration but after carefully identifying their main activities the author identified that only six of these companies had the same criteria. The main criteria and reason why these were chosen is because they all have the same parameters in regards to their CSR activities. Meaning they all deal with sourcing the coffee, rather than cultivating it and therefore can be measured and analyzed in the same way. The companies are:

- Starbucks
- Nespresso
- Tchibo
- Lavazza
- Costa Coffee
- Illy

## 5.7 Setting

The research process consists of different stages. Within the preparation phase, secondary research was the starting point for the resulting study. Secondary research took the form of a literature review, which combined with the author's interest in the topic resulted in the formulation of the research question. After formulating the research question the available research methods were identified and a document study was the chosen qualitative approach. Six companies from within the coffee industry were chosen, and a thorough analysis using information from every company's website, as well as other online resources, was applied to Carroll's (1991) CSR model. A further evaluation was done on the data so as to identify whether Porter's shared value model is being utilized. After the analysis of the data the research question is answered. Figure 3 summarizes the research process of the thesis. (see page 43)

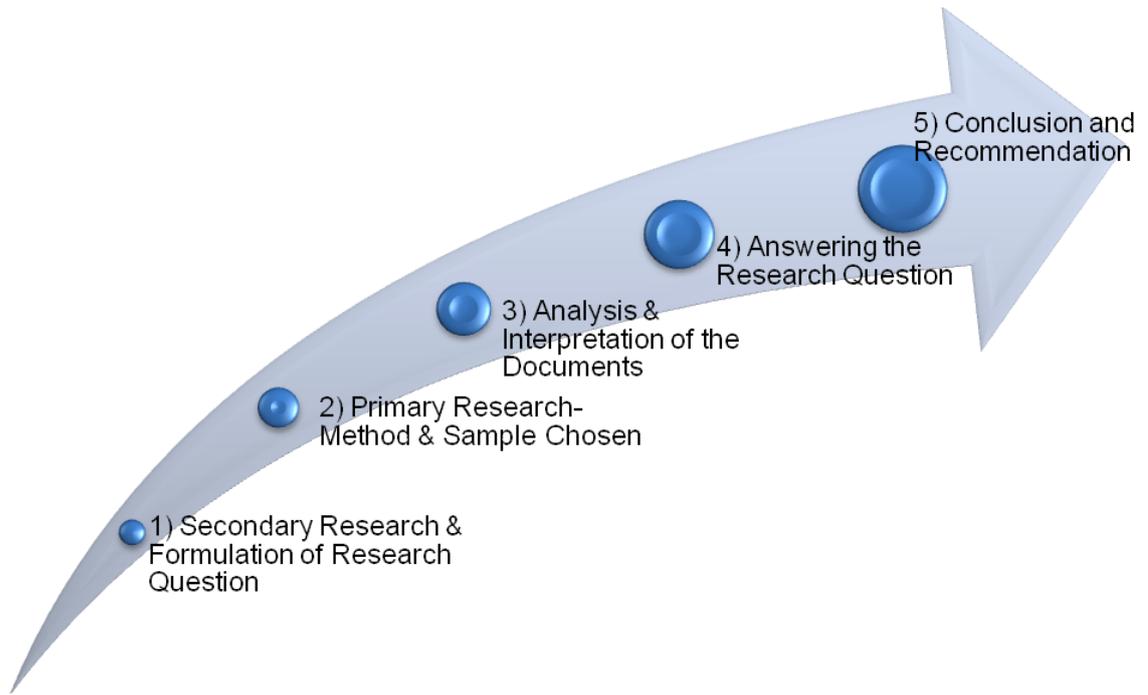


FIGURE 3: SETTING OF THE THESIS



## 6. DOCUMENT ANALYSIS

In this chapter all the data collected on the companies chosen for this study will be analyzed and compared with the theory. The coffee companies analyzed are Starbucks (6.1), Nespresso (6.2), Tchibo (6.3), Lavazza (6.4), Costa Coffee (6.5) and Illy (6.6).

Table 2 below summarizes which responsibilities, according to Carroll's (1991) pyramid, were met by the companies. The purpose of this table is to enable the reader to easily and quickly understand what levels are being fulfilled. An individual analysis of each company will follow, along with a detailed look at each level or responsibility.

	Economic Resp.	Legal Resp.	Ethical Resp.	Philanthropic Resp.
<b>Starbucks</b>	✓	✓	✓	✓
<b>Nespresso</b>	✓	✓	✓	✓
<b>Tchibo</b>	✓	✓	✓	✓
<b>Lavazza</b>	✓	✓	✓	✓
<b>Costa Coffee</b>	✓	✓	✓	✓
<b>Illy</b>	✓	✓	✓	✓

TABLE 2: SUMMARY OF COMPANIES RESPONSIBILITIES

### 6.1 Starbucks

Starbucks opened its first store in 1971 and is based in Seattle, Washington. It has grown to become the premier roaster retailer of specialty coffee in the world with over 19,555 stores in fifty-eight countries, including 12,811 in the United States, 1,248 in Canada, 965 in Japan, 766 in Great Britain, 580 in China and 420 in South Korea (loxcel.com, 2012).

Their mission statement is to “*inspire and nurture the human spirit – one person, one cup and one neighborhood at a time*”. In order to be able to maintain this mission as a company and be successful they abide by a set of principles that includes ‘our coffee’, ‘our partners’, ‘our customers’, ‘our stores’, ‘our neighborhood’ and ‘our shareholders’. Living by these standards Starbucks is committed, with regards to their coffee, to

sell a quality product that is ethically sourced from the “finest beans” and “roasted with great care”. They declare that they are accountable to their shareholders, who will be able to enjoy financial success from their operations as the company balances all these interests so as to be successful (www.starbucks.com,2012).

### Climate Strategy

The company first implemented in 2004 a climate strategy mainly focusing on the areas of renewable energy, energy conservation and collaboration and advocacy. They take steps to minimize their environmental footprint by preserving water and energy, increasing recycling efforts, reducing waste associated with their cups and including green design in their stores and buildings as much as possible. By partnering with other organizations and businesses they support and champion any policies related to climate change (www.starbucks.com/climatechange,2012).

So as to address climate change issues in coffee-growing regions Starbucks has partnered with Conservation International and carried out a number of pilots. Through these pilots they are able to identify ways to improve the production of coffee, restoration and conservation of the natural habitat as well as to seek prospects that will enable the farmers to have access to forest carbon markets. In 2011 twenty nine communities that grow coffees in Sumatra, Indonesia and Chiapas, Mexico were involved in these pilot programs. All these regions have a variety of coffee growing traditions and environments that are sensitive. They are looking to add another twenty communities this year (2012). Linking coffee farmers to carbon markets is another initiative they are piloting at the moment with Conservation International so as to be able to minimize their carbon emissions (www.starbucks.com/climatechange,2012).

In 2010 Starbucks used the World Resources Institute Greenhouse Gas Protocol in order to undertake an inventory and be able to understand the effects of their environmental footprint. All their roasting operations, offices and retail stores globally were evaluated in regards to their major emissions. They identified that over 80 % of their Green House Gas emissions are coming from the consumption of energy in these facilities. Therefore the company is focusing heavily on improving the conservation of energy and purchases relating to renewable energy (www.starbucks.com/climatechange,2012).

“*Grounds for your Garden*” was one of the first attempts Starbucks undertook to become more environmentally friendly. Anyone wishing to use leftover coffee grounds for composting can ask for them at participating stores (www.freebies.com,2001).

Starbucks managed to lighten their production of solid waste by 816.5 metric tons. This was achieved by reducing the size of the garbage bags and the paper napkins they have in all of their stores. The U.S. Environmental Protection Agency in 2008 ranked

Starbucks No.15 on their Top 25 Green Power Partners list for purchases of renewable energy ([www.epa.gov/toplists](http://www.epa.gov/toplists),2008).

With regards to their water consumption the company has been criticised for wasting 23.4 million litres of water daily as they need to have a tap open constantly so as to rinse out utensils in a 'dipper well' (Lorraine et al.,2011). This,however,is a requirement by public health code set forth by the government. ([www.hamptonroads.com](http://www.hamptonroads.com),2009). The company has implemented a water saving solution in stores in the U.S. and Canada to meet government standards and they have managed to save an estimated hundred and fifty gallons of water daily.

One can get lost trying to read all the information available on their website that summarizes and lists all that they do for the environment. They do undertake significant steps in all the areas concerning the environment and there is no doubt that some of the results will be open for interpretation with regards to their real impact. However,overall it can be said about their environmental strategy that they set an example that other companies should follow.

### **6.1.1 Economic Responsibilities - Be profitable**

In 2011 the company reported a record win of 9.422 billion €, an eleven percent increase from the year before. This growth was largely due to an increase in store sales which rose by 8% from 2010 as they welcomed some 60 million customers weekly. Their operating income was 1.370 billion € ,an increase of 22%, and the consolidated operating margin was 14.8%,150 basis points higher than the year before. Their share price for the year closed at 1.30 cents,which was an increase of 31% from 2010 when the share price was 1 € . The company returned an estimated 761 million € to shareholders,which was almost double the amount they gave back in 2010 ([www.starbucks.com](http://www.starbucks.com)). Given the fact that in 2008 Starbucks was forced to close down six hundred of its stores across the United States and sixty in Australia due to the economic slowdown (Palmer,2008),there is reason to believe that this turnaround is significant.

Based on the above figures taken from the company's Annual Report for 2011, it is clearly evident that the company is profitable and has significantly improved its performance on a year to year basis. The amount returned to the shareholders is also notable given the current economic downturn that the global economy is going through. Consequently,the author of this thesis believes that this level of responsibility based on Carroll's pyramid is fulfilled.

### **6.1.2 Legal Responsibilities - Obey the law**

Starbucks has a 32 page report called 'Standards of Business Code' that analyses all the activities they undertake in regards to their principles. This report is an overview of the legal and ethical standards everyone who works at Starbucks are expected to follow. The report covers aspects in regards to workplace environment, business practices, intellectual property and proprietary information, community involvement, and a framework for ethical decision making ([www.starbucks.com/sobc](http://www.starbucks.com/sobc), 20120). It is a very well written comprehensive report and by reading it one does get the feeling that this is a company that takes its legal and ethical responsibilities very seriously. There are, however, several issues that need to be looked at in terms of their legitimacy and their practices so as to state for sure that they do 'obey the law'.

In the United Kingdom Starbucks has been accused of trying to open several retail stores without planning permission. In a number of locations across the country there have been disputes with the local council and the local community, both of which are opposing the idea of an international chain operating in their area (Stephens et al. 2008). For example, one location in Blackheath, Lewisham was under investigation in 2002 for breaching its license but to this day it still operates (McNeil, 2002).

One might go as far to suggest that if it was any other smaller chain or individual coffee shop owner there is no way Starbucks would have managed to stay open. There is reason to believe that there are similar scenarios across the world where the company is operating but it is impossible to look at them in detail. This does raise the question of how much actual power a global company like Starbucks can exercise in regards to 'obeying the law'.

Another critical aspect worth discussing is the several labour disputes Starbucks has had over the years. Eight employees at the Kent, Washington roasting plant were paid out 133.000 € to settle charges, as they were accused of being pro-union. Starbucks admitted no wrongdoing in the settlement. The workers were represented by the International Union of Operating Engineers (Allison, 2007).

In a Californian class action lawsuit in 2008 Starbucks was forced to pay over 80.546 million € to its baristas in back tips. The baristas accused Starbucks that shift supervisors were not entitled a portion of the tips and this violated state labour laws. Almost 100,000 baristas were involved in this lawsuit ([Yahoonews.com](http://Yahoonews.com), 2008). In Auckland, New Zealand in 2005 the Unite Union organized a strike in an effort to increase the minimum hourly wage and abolish youth rates. The settlement occurred in 2006 which saw an increase in pay, an increase in the security of hours and a significant improvement in youth rates (Gibson, 2010).

In regards to Carroll's (1991) pyramid, it seems that although Starbucks does not disobey the law, it would be reasonable to suggest that they do manage to 'bend the law' to suit their needs whenever needed.

### **6.1.3 Ethical Responsibilities - Be ethical**

Starbucks states, *"We have taken a holistic approach to ethically sourcing the highest quality coffee. This includes responsible purchasing practices, farmer loans and forest conservation programs. When we buy coffee this way, it helps foster a better future for farmers and a more stable climate for the planet. It also helps create a long-term supply of the high-quality beans we've been carefully blending, roasting and packing fresh for more than 40 years."*([www.starbucks.com/responsibility/sourcing/coffee](http://www.starbucks.com/responsibility/sourcing/coffee),2012).

Through their commitment to ethical sourcing, Starbucks has chosen the Fair Trade Certification system, which is closely aligned with their values and principles. Their goal is to have 100% of their *"coffee certified or verified by an independent third party"* by 2015 ([www.starbucks.com/coffee](http://www.starbucks.com/coffee),2012). In 2011, 530 million € of coffee was purchased, with 86%, or an estimated 455 million euros, purchased from C.A.F.E Practices approved suppliers. The company paid on average 1.26 € per pound more than in 2010 for their premium green unroasted coffee, which cost 1.9 € per pound in 2011 ([www.starbucks.com/responsibility/sourcing/coffee](http://www.starbucks.com/responsibility/sourcing/coffee),2012).

Based on a comprehensive set of more than 200 social, economic and environmental indicators that have quality as a prerequisite, their approach is rooted in the Practices of Coffee and Farmer Equity (C.A.F.E). These practices and their implementation was the result of a joint collaboration with Conservation International ten years ago. Over one million workers who are employed by participating farms have been directly affected and have had a positive social, environmental and economic impact. The Co-founder, Chairman and CEO of Conservation International said, *"Over the course of our longstanding partnership, we have seen Starbucks' Peter Seligmann raise the bar for the entire industry by expanding their innovative work with coffee-growing communities. These cutting-edge efforts have enabled Starbucks to help improve farmer livelihoods while protecting some of the world's richest and most valuable ecosystems. Starbucks' leadership in environmental and social stewardship is a great example of a company using its size for good."*([www.starbucks.com/responsibility/sourcing/coffee](http://www.starbucks.com/responsibility/sourcing/coffee),2012).

One can get lost on the Starbucks' website by reading how well and good they do in regards to their efforts of ethical sourcing. A very important aspect, however, that needs to be addressed with regards to Starbucks' ethical responsibilities is the fair trade certification. It is a certification system that shows that specific products meet agreed environmental, labour and developmental standards.

Starbucks takes great pride in this certification, as it is considered to be the strongest label with the toughest criteria because it does not only try to guarantee fair prices, but the whole notion of fair trade is rooted in the principles of ethical purchasing. These principles include banning child and slave labour, improving working conditions, adhering to human rights laws, ensuring that a fair price is paid for all products and facilitating social development, as well as protecting and conserving the environment. (www.fairtrade.org.uk, 2012). There is no other label, especially in coffee production, which is able to guarantee that a high price is consistently paid to coffee-farmers, enabling them to improve their livelihoods (Kooperation Utan Gränser, 2005).

Despite these great benefits that this certification provides, it also comes with some significant criticisms as to how ethical it really is. Research has shown that consumers are willing to pay substantially higher prices for products that bear the fair-trade certification (Arnot et al., 2006). However, the premium paid for such products does not appear to be reaching the producers, instead it seems to be collected by multinationals, employees of various co-operative organizations or is being used to cover unnecessary expenses. As the Fairtrade foundation does not have a system in place to monitor the extra amount charged by retailers for fair trade goods, it is impossible to know how much more is being charged and if any of that extra money is being given back to the farmers (Raynolds, 2009). Although Starbucks indicates how much more they pay for their fair trade coffee, and they also undertake tremendous activities to support their farmers, it does create the question as to how much they are giving back compared with what they are taking in.

Further research indicates that vast inequalities are created in specific markets where such strict rules are not really appropriate by implementing fair trade standards. Farmers that are not involved in the fair trade certification are losing out on aid they could receive from other NGOs. Additionally as there are a number of organizations that further support farmers in developing countries it is challenging to distinguish how much of a difference the fair trade certification makes compared with other donors (Booth, 2009).

It is impossible to analyze fair trade and its certification in detail, as this would also be a thesis of its own. Additional ethical issues that arise, however, include the overproduction argument, corruption, inefficient marketing system, secretiveness diverting aid from other farmers, misleading volunteers, unethical selling techniques, imposing politics, political objections, failure to monitor standards, trade justice and a lack of evidence on the impact (Brink, 2004; Weitzman, 2006; Booth, 2007; Booth, 2008; Utting, 2009; Raynolds, 2009; Griffiths, 2011). It is fair to say that fair trade sounds good and makes businesses including Starbucks feel good about themselves in a sense that they are giving back. However, it is reasonable to suggest that as there is a lack of hard evidence in regards to the real economic and ethical benefits that are produced through

fair trade and its certification, the question is raised as to how 'fair' and 'ethical' they really are.

In conclusion, Starbucks does fulfill this level of responsibility as they incorporate ethical practices in everything they do. However, as it still remains a large corporation that at the end of the day has to produce results, some issues will definitely be overlooked.

#### **6.1.4 Philanthropic Responsibilities - Be a good corporate citizen**

Starbucks has endless sections on its website where it describes the company's activities and community involvement. The list is too exhaustive to reproduce here in this thesis.

Starbucks claims, "*Bringing people together, inspiring change and making a difference in people's lives – it's all part of being a good neighbor. And it's a commitment rooted in the belief that we can balance profitability and a social conscience.*" (<http://www.starbucks.com/community>, 2012). Starbucks is also participating in a number of certification systems which have often been voluntary and have helped the company earn a reputation for being a leader in Corporate Social Responsibility (Depass, 2005). Everything that Starbucks does and claims seems to be deeply rooted in CSR values and Porter's (2006) shared value model. Below are some of the steps Starbucks undertakes so as to be a good corporate citizen.

In order to help communities thrive, the Starbucks foundation was set up in 1997. The foundation supports communities globally in different areas, including nurturing young leaders, supporting coffee tea and cocoa communities, promoting access to get clean water, fostering education in China and community service.

#### Partner Networks

Starbucks has an extensive partner network that enables engagement in diversity work, inclusion and accessibility. It is able to address special issues and celebrate achievements in areas such as gender, race, accessibility and sexual orientation. The current networks as taken from their website ([www.starbucks.com/career-diversity/partner-networks](http://www.starbucks.com/career-diversity/partner-networks), 2012) are:

- Starbucks Access Alliance- offers a forum where diversity and specifically accessibility can be discussed for all the partners with disabilities and their allies so for mutual benefits to be created for the business and the partners.
- Starbucks Black Partner Network- assists in the professional development for partners of African descent and aims to strengthen connections within the community.
- Starbucks Emerging Workforce Network- so as for the partners to be able to fulfill their personal commitments as well as drive the business forward to

achieve the desired results this network offers flexible workplace solutions to the organization. This is also referred to as “work/life effectiveness”.

- Starbucks Hora del Cafe- with a main focus on the Hispanic culture this network aims to create an environment where professional development and cultural awareness is enabled. While at the same time having a positive influence on the community.
- Starbucks Pride Alliance- this network offers to the lesbian, gay, bisexual and transgender partners and equal, dynamic and supportive environment.
- Starbucks Armed Forces Support Network- all current army service members, their families and veterans are supported in this network.
- Starbucks Women's Development Network- By providing education, involvement in the community and further building of relationships this network enhances development on a personal and professional level as well as any leadership opportunities.

It is not the purpose of this thesis to analyse these in detail, but it can definitely be said that the company is undertaking significant steps to be involved in as many issues as possible concerning the society and the community. This is definitely an element of what CSR is all about and shows that the company is embracing these values on a daily basis. It must also be noted that Starbucks is the only company that has created such networks. No other coffee company analyzed for the purpose of this thesis has anything similar, therefore no further comparison will be possible on this front.

Another proof that Starbucks is trying significantly to be recognised for all the activities they undertake to be involved in the community and be a good corporate citizen is a number of awards they have received over the years. Below are some of the distinctions Starbucks has received over the years as taken from the company website.

#### Awards & Distinctions

- “No. 1 Best Coffee”, Fast Food and Quick Refreshment categories *Zagat's Survey of National Chain Restaurants* (2009-2010)
- “No. 1 Most Popular Quick Refreshment Chain” *Zagat's Survey of National Chain Restaurants* (2009-2010)
- One of the “World's Most Ethical Companies” *Ethisphere* (2007-2010)
- “Most Ethical Company, European Coffee Industry” *Allegra Strategies* (2009-2010)
- “Best Coffee House, Germany” *Deutschland Institute for Service Quality* (2010)
- One of the “100 Best Corporate Citizens” *Corporate Responsibility Officer/Business Ethics* (2000-2010)
- One of the “Global 100 Most Sustainable Corporations in the World” *Corporate Knights* (2010)

- One of “The 100 Best Companies to Work For” FORTUNE (1998–2000,2002–2010)
- One of the “Most Admired Companies in America” FORTUNE (2003–2010)
- One of the “Best Places to Work for LGBT Equality” *The Human Rights Campaign* (2009-2010)

There is no doubt that the achievements and rewards listed above are remarkable and further highlight Starbucks' efforts to be a leader in CSR and everything it pursues as a company. Having these awards, however, does not mean that the company should rest and rely on past successes. It should continue to operate the way it does and try and learn from past mistakes, such as the ones discussed in the previous sections. There is no doubt that overall Starbucks is trying to be at the forefront at what it does, and this level of responsibility is definitely fulfilled.

### **6.1.5 Conclusion**

After researching all the components of the company's operation relating to its responsibilities, the author came to the conclusion that the Starbucks strategy was built upon Carroll's (1991) pyramid model, as it is fulfilling at all levels. Bearing in mind all scandals that the company has been involved so far, it must be noted that they have tried to respond and react to them as much as possible. For a global company the size of Starbucks undoubtedly many challenges will arise but they seem to be achieving more than what Carroll's (1991) model is requiring. All their CSR activities are integrated in the core of the company's strategy and it appears that Porter's (2006) shared value theory has been taken into consideration before formulating this strategy. This is because from all their activities that have been looked at so far, such as the partner networks for example, a social dimension seems to be created that benefits both the society and the company.

## **6.2 Nespresso**

Nespresso was founded in 1986 by Luigi Bezzera who created a unique concept of making coffee. The Nespresso system is the interaction between the Nespresso machine and the unique Nespresso capsules. It is an autonomous global business owned by the Nestlé Group. It is present in over fifty countries and has over seven thousand employees compared to three hundred and thirty one in 2000. More than seventy percent of their employees are in direct contact with their customers. The production areas are Brazil, Columbia, Mexico, Costa Rica, Guatemala, Nicaragua and India. Nespresso has over 1.5 million fans on Facebook and one hundred eighty thousand unique customers visit its online boutiques daily ([www.nespresso.com](http://www.nespresso.com)).

It has an international network of two hundred and seventy exclusive boutiques with the aim to grow this to three hundred by 2012. Nespresso competes in the business to

business and business to consumer segments. The company has been included in the Top 100 most Powerful Brands and has been ranked number one in its category. In 2008 Millward Brown ranked Nespresso a global status as the first roast and ground coffee brand. ([www.nespresso.com](http://www.nespresso.com))

Being part of Nestlé, Nespresso shares the same business principles. According to Nestlé, their ten corporate business principles are the foundation of everything they undertake. It is a non-negotiable fact, and all employees must comply with their business principles and the related policies belonging to each principle. These principles are divided in five categories and are:

#### *Consumers*

- (1) Nutrition, Health and Wellness - through their corporate proposition Good Food, Good Life, Nespresso strives to improve the lives of their customers by offering healthy and tasty food and beverage choices.
- (2) Quality Assurance and product safety- being part of Nestlé a product's safety and standard is ensured.
- (3) Consumer Communication – Nespresso takes a commitment to being responsible towards their consumers by empowering them to make informed choices as well as promoting healthier diets. They also respect consumer privacy.

#### *Human rights and labor practices*

- (4) Human rights in our business activities - By supporting the United Nations Global Compact's (UNGC) guiding principles on human rights and labour, the company strives throughout their business activities to set an example based on these principles.

#### *Our People*

- (5) Leadership and personal responsibility - Focusing heavily on their human resources workforce by treating everyone with respect and dignity, providing equal opportunities for development and enhancement, recruit people who respect their values, protect their privacy, and have no tolerance for harassment or discrimination.
- (6) Safety and health at work- Nespresso takes a commitment to protecting their employees, contractors and everyone who is involved in the value chain by taking measures to prevent accidents, injuries and any illnesses related to work.

#### *Suppliers and customers*

- (7) Supplier and customer relations - Nespresso expects all their partners from their suppliers to their agents, subcontractors and employees to display honesty, integrity, fairness and abide to their non-negotiable standards. This is their commitment to their consumers as well.
- (8) Agriculture and rural development - In order to make farmers more environmentally sustainable the company contributes to improvements in areas such as agricultural

production, social and economic welfare of farmers, rural communities and production systems.

### *The Environment*

(9) Environmental sustainability - Nespresso endeavors to use natural resources efficiently at all stages of the product life cycle, use sustainably-managed renewable resources as much as possible and target zero waste. This is how the company is committed to business practices that are environmentally sustainable.

(10) Water - The company takes a commitment to the sustainable use of water and constantly try to improve their water management.

How the principles are applied is being measured and audited on a regular basis. The Figure 4 below, shows that the principles are the basis for everything Nestlé does. The company considers these principles to be their commitment towards environmental sustainability and the creation of shared value. Nespresso states on the company website, *“Creating Shared Value is the basic way we do business, which states that in order to create long-term value for shareholders, we have to create value for society. But we cannot be either environmentally sustainable or create shared value for shareholders and society if we fail to comply with our Business Principles.”* (www.nestle-nespresso.com/ business-principles, 2012).

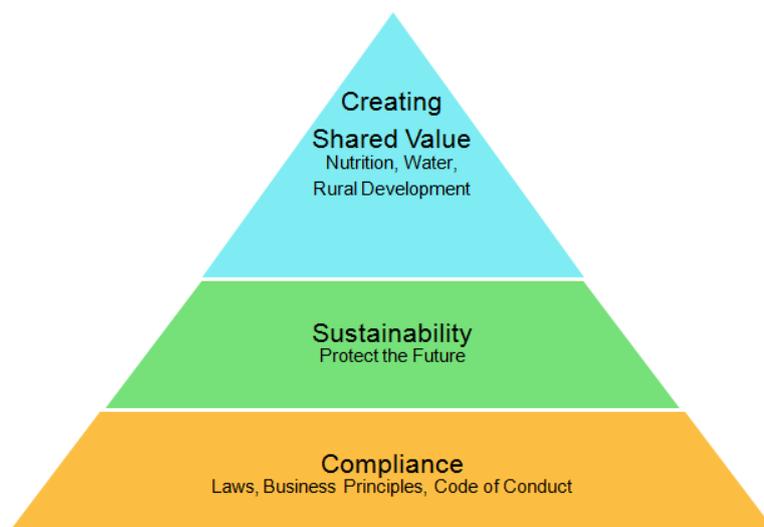


FIGURE 4: GOING BEYOND COMPLIANCE AND SUSTAINABILITY

SOURCE: [HTTP://WWW.NESTLE-NESPRESSO.COM/ECOLABORATION/REPORTING-PERFORMANCE](http://www.nestle-nespresso.com/ecolaboration/reporting-performance), 2012

It is clearly evident that both Nestlé and Nespresso seem to have adopted Carroll's (1991) pyramid and adjusted it to create their own model of sustainability, which is predominantly based on Porter's (2006) shared value theory.

## Company Strategy

Nespresso has built its long-term corporate business strategy on the basis of sustainability. They have three key growth drivers that is the backbone of their strategy. According to Nespresso, their Unique Business Model “enables us to guarantee quality at every stage of the sourcing, production and sale of our coffees and to maintain a direct dialogue with our consumers and Club members. Our unique route to market – encompassing our e-commerce platform, our exclusive boutiques and our dedicated call centres, along with our partner model for machine distribution-provides us with a unique competitive advantage versus our competitors”(www.nespresso.com,2012).

Figure 5 illustrates the company's key growth drivers, as taken from the company website. They are further explained after the figure.

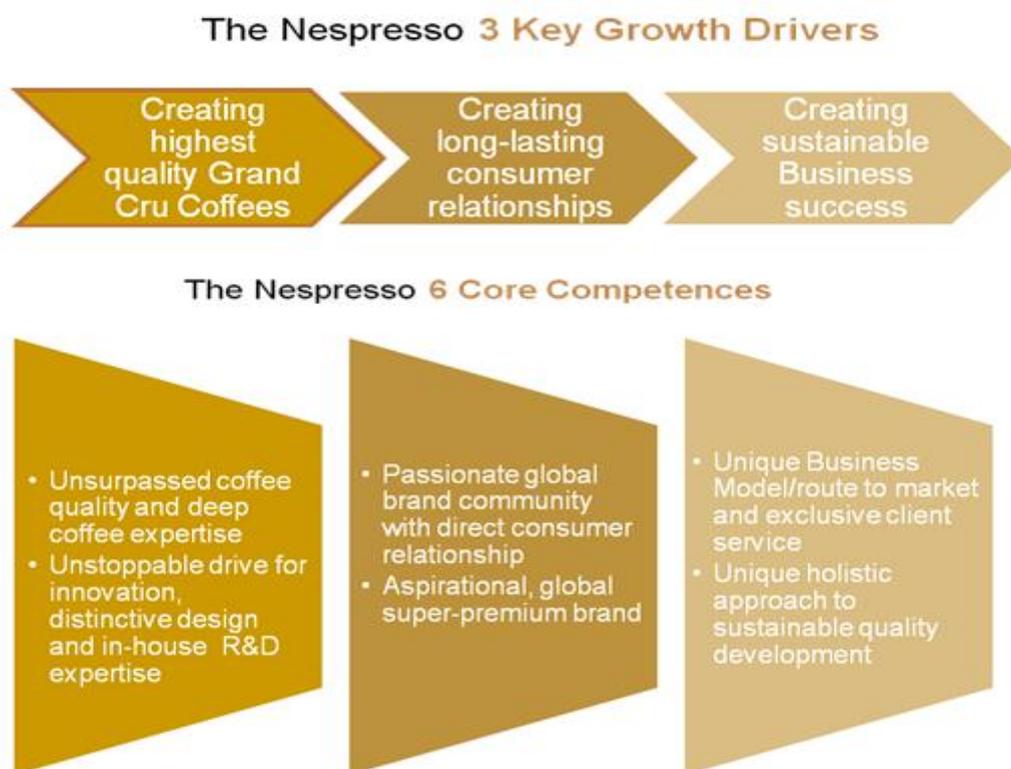


FIGURE 5: NESPRESSO 3 GROWTH DRIVERS –

SOURCE: [HTTP://WWW.NESTLE-NESPRESSO.COM/ABOUT-US/STRATEGY,2012](http://www.nestle-nespresso.com/about-us/strategy,2012)

- Creating Highest Quality Grand Cru Coffees

Only 1-2% of the world's green coffee production is being used to produce their Grand Cru coffees, which are then blended to create all the different tastes they produce.

- Creating long-lasting consumer relationships

By having a direct relationship with its consumers and the creation of the Club, Nespresso considers this one of its most valuable assets. Through this relationship the company is able to grow and evolve.

- Creating sustainable business growth

Sustainability is at the forefront of their corporate strategy as they take a holistic long-term commitment towards it. So as to ensure sustainability in all the areas Nespresso is operating in, they try to set clear targets and aim to create a shared value both for business and society. They have created a program called 'Ecolaboration', which is their way of doing business. It is a framework for the company and its partners to operate in a sustainable way, which is driven by innovation ([www.nespresso.com/ecolaboration](http://www.nespresso.com/ecolaboration),2012).

In 2003 Nespresso, in a joint collaboration with the NGO - the Rainforest Alliance, launched the Nespresso AAA Sustainability Quality Program. By working closely together with their farmers, this program's objective is to ensure that the highest quality of coffee is being produced in the most sustainable way. They aim to look after the livelihoods of their farmers as well as to ensure the highest coffee quality, in the form of training and technical assistance. Through this program farmers are rewarded with a premium price for sustainability and quality. ([www.neste-nespresso/ecolaboration](http://www.neste-nespresso/ecolaboration),2012)

#### Environmental Impact & Actions

So as to be able to understand and measure what impact Nespresso has on the environment, they have been using a scientific approach called life cycle assessment since 2005. Managing natural and renewable resources efficiently as much as possible, as well as reducing the waste their products produce, is one of their main priorities. They are committed to reducing the carbon footprint of each of their Nespresso coffee cups by 20% by 2013. ([www.nespresso.com](http://www.nespresso.com),2012)

Through the life cycle assessment, Nespresso is able to understand what impact all divisions of the company have on the environment based on five different key measures. These are climate change, water, biodiversity, energy and human health. Greenhouse gas emissions and carbon dioxide contribute heavily to climate change, and the main focus of Nespresso is on managing these across their whole business as much as possible. According to Quantis, the specialist environmental consultants, the biggest impact of Nespresso in regards to its environmental impact comes from its coffee growing and machine use. Therefore a main objective for the company has been to try and find ways to reduce the carbon emissions from its machines and the coffee cultivation. ([www.nespresso.com/ecolaboration](http://www.nespresso.com/ecolaboration),2012)

Nespresso has hired leading experts and created a network so as to create coffee machines that will be innovative and greener. Energy consumption, carbon emissions and recyclability of all the ranges of machines the company produces, is the main focus of this network. All the machines are now fitted with an energy saving mode, and since last year they have fitted an automatic power off function. The latest machine, called Pixie, is able to consume 40% less energy compared to previous models as it automatically switches off after nine minutes of inactivity. ([www.nespresso.com/ecolaboration](http://www.nespresso.com/ecolaboration), 2012)

Through their AAA Sustainability Quality Program, Nespresso aims to help farmers to become more environmentally responsible, as well as to prepare them for any new challenges that arise through coffee growing in regards to climate change. They have helped over 40,000 farmers so far and this number continues to grow. In regards to recycling they support the development of schemes that will help them recover and recycle their capsules. They have installed over 7,000 dedicated collection points globally. ([www.nespresso.com/ecolaboration](http://www.nespresso.com/ecolaboration), 2012)

Environmental efficiencies can be also found in all the buildings and production centres of Nespresso. For example, Nespresso describes how in Avenches *“our new coffee roasters save the same amount of energy as the one used by 90 homes during a year. And nearly 7,300 cubic meters of rain water, equivalent to two and a half Olympic swimming pools, have been collected from the roof and used for various activities, including flushing the toilets and watering the green areas”* ([www.nespresso.com/ecolaboration](http://www.nespresso.com/ecolaboration), 2012).

### **6.2.1 Economic Responsibilities - Be profitable**

In 2011 Nespresso reported revenue sales worth over 2.500 billion € which was a 20% increase from the year before. It is considered one of Nestlé's most profitable brands ([www.nestle.com/investors](http://www.nestle.com/investors), 2012). No more financial highlights or key figures could be found on Nestlé's Annual Report regarding Nespresso, and the company does not publish individual financial results. Based on the revenue sales and the popularity that Nespresso is enjoying today, it can be presumed that this level of responsibility is fulfilled.

### **6.2.2 Legal Responsibilities - Obey the Law**

The company shares the same business principles and core values as the parent company - Nestlé. According to Nestlé the *“Integrity, honesty, fair dealing and full compliance with all applicable laws govern our operations and form the basis for company culture worldwide”* at Nespresso. They have a whole section that refers to their business conduct and covers aspects to include compliance with laws, rules and regulation, conflicts of interest, outside directorships and other outside activities, families and relatives, corporate opportunities, insider trading, antitrust and fair dealing, confidential information, fraud, protection of company assets accounting, bribery and corruption.

([www.nestle-nespresso/business-principles](http://www.nestle-nespresso/business-principles),2012) There are endless reports on their results and what the company has done over the years, but it is not the purpose of this thesis to analyse all these in detail. It can be concluded that this level of responsibility is fulfilled.

### **6.2.3 Ethical Responsibilities - Be ethical**

A visit to the Nespresso website will leave one with the impression that this company takes its responsibilities very serious. There are countless sections with information relating to activities they undertake so as to be socially responsible and maintain the shared value practice across all business operations. There is no doubt that Nespresso makes an effort to be ethical and fulfil this level of Carroll's (1991) model.

One of the key criticisms, however, that Nespresso is facing with regards to its ethical behaviour is the association with Nestlé, the parent company. Nestlé is a global corporation that prides itself in using the shared value model. It is the world's largest health, wellness and nutrition company. In the Fortune Global 500 it was listed number one as the world's most profitable corporation. They have 449 factories, operate in 86 countries worldwide and employ over 328,000 people. Last year it turned over 69.595 billion € and reported a net profit of 7.908 billion €. ([www.nestle.com](http://www.nestle.com),2012)

Since the late 1970s Nestlé has been involved in a bitter controversy concerning the promotion and use of infant formula, especially in developing countries, which led to a boycott of all Nestlé products that is still ongoing (Tran,2005). In 1981 a code was established by the World Health Organization to regulate any advertising relating to breast milk formulas, which Nestlé seems to violate ([www.who.int/nutrition](http://www.who.int/nutrition),1981). Save the Children and the International Baby Food Action Network (IBFAN) maintain that numerous health problems and deaths have been the result of promoting infant formula over breastfeeding in developing countries (IBFAN, 2006). Nestlé suggests that women who are not able to breastfeed or do not want to, should opt for an alternative such as infant formula so as to give the nutrition babies need, although they do highlight that breast milk is the best food for babies ([www.babymilk.nestle.com](http://www.babymilk.nestle.com)/2012). It is needless to say that such an issue is definitely unethical. Nespresso does not produce or sell infant formula, however, Nestlé is about to launch a machine that is based on the Nespresso machine prototype so as to produce portioned substitute breast milk formula (Allen,2011). According to the author, this raises the question of ethical behaviour as well as choosing profitability over morality.

During a severe period of famine, Ethiopia owed Nestlé 4.837 million € which Nestlé demanded they pay back. Over eight thousand five hundred people made complaints directly to the company and Nestlé was eventually forced to back down. They agreed to use any money paid back by the government to invest back into Ethiopia (Denny,2002). A company that prides itself in creating shared value for all sure seems to be

creating first value for its shareholders rather than people in need. Nestlé's water business has also been heavily criticised, as a documentary alleges that a truckload of water is sold for 40.302 € while it is being bought only for 8.06 € ([www.bottledlifefilm.com](http://www.bottledlifefilm.com), 2011).

In 1998 the first allegations of child slavery use in cocoa production started to appear (Raghavan et al.,2001). The *Dark Side of Chocolate* is a documentary that was aired in 2010 and claims that Nestlé bought cocoa beans from several plantations on the Ivory Coast where child slave labour was used. Although Nestlé signed the Harkin-Engel Protocol,which was an international agreement to end child labour in cocoa production in 2001,the company was named among others in a lawsuit that was filed in 2005 on behalf of Malian children. Children were trafficked into the Ivory Coast and were forced to work in cocoa plantations under severe circumstances. The suit was dismissed, however, in 2010 by the US District Court for the Central District of California as it determined that “*corporations cannot be held liable for violations of international law*”.

These might be some of the reasons why Nespresso states that it is operating on their own,possibly trying as much as possible to distance itself from Nestlé's image. There is no doubt that all these issues dilute the very notion of shared value,CSR and ethics altogether,but there is evidence that a company does not become the biggest corporation of the world just by 'playing nice'.

### Partners

Nespresso is in partnership with the following organizations,as taken from the company website ([www.nestle-nespresso.com/partnerships](http://www.nestle-nespresso.com/partnerships),2012):

- Rainforest Alliance
- Sustainable Agriculture Network (SAN):
- The International Finance Corporation (IFC)
- International Union for Conservation of Nature (IUNC) :
- The Columbia Coffee Growers Federation (FNC):
- ECOM Agroidustrial Corporation:
- Efico
- Thévenaz-Leduc

It is not the purpose of this thesis to analyse each partner organization in detail,however,the Rainforest Alliance will be examined in more detail as it is directly linked with Nespresso. The certification awarded by the Rainforest Alliance belongs to the Sustainable Agriculture Network,which is a coalition of NGOs. These partnerships

are outside partnerships, hence different to the ones that Starbucks has established. This is why they are categorized in this section.

There are ten principles that make up the certification and these are: social and environmental management systems, water conservation, fair treatment and good working conditions for employees, occupational health and safety, community relations, integrated crop management, soil management and conservation integrated waste management. There are numerous criteria that make up all these principles. Out of the ninety criteria that the certification takes into account only fourteen are considered as “critical criterion” that each company wishing to get certified needs to comply with. In addition, only 50% of the criteria of each principle need to be complied with so as to be awarded the certification. (Sustainable Agriculture Network, 2005)

One example of a critical criterion is the restrictions on chemicals. If they are listed in the Stockholm Convention on Persistent Organic Pollutants, the Rotterdam agreement on Prior Informed Consent, the Dirty Dozen or have been banned in the EU or the US, their use is forbidden. The restoration and protection of the natural ecosystems as well as the establishment and maintenance of shade trees are additional critical criteria. The fifty percent limit that needs to be met so as to pass each principle, however, enables farmers to get away with actions like limitation on working hours, workers healthcare for handling agrochemicals and wastewater analysis. (Sustainable Agriculture Network, 2005)

Coffee is included in the crops which have additional criteria to be met in order to get certified by the Rainforest Alliance. These criteria include that only children from coffee growing families are allowed to work in the field, as well as precautions on the way they grow and maintain shade trees. However, none of these criteria are considered a critical criterion. (Sustainable Agriculture Network, b, 2005)

The Rainforest Alliance Certification does not come without its critics. A complaint towards Kraft Foods was filed by the Swedish Society for Nature Conservation (SSNC) as they wanted the company to stop marketing their Rainforest Alliance certified coffee as sustainable. Allowing the use of toxic pesticides, as well as knowing that the guaranteed minimum wage is not sufficient for farmers to survive are some of the reasons for filing this complaint. Chemical pesticides damage is a major health problem in Brazil according to its ministry related to working environment, and it is unacceptable to continue to allow the certification to be called sustainable (Swedish Society for Nature Conservation, d., 30/11/2006). Although Kraft maintains that the Rainforest Alliance is on the same level as fair trade in its statements in a Swedish newspaper, the head of Swedwatch seems to disagree as he says, “*I have visited Rainforest Alliance certified farms. The workers were living in absolute poverty*” (Dagens Nyheter, web edition, 2005). It is impossible to know if Nespresso certified farms face similar challenges, but one

cannot be anything but sceptical about the whole certification process and how sustainable they truly are.

Putting Nestlé's issues aside, the author believes that Nespresso is fulfilling this level of responsibility. Although the criticism that comes with the certifications creates its own questions regarding ethics, the company is trying to be ethical.

#### **6.2.4 Philanthropic Responsibilities - Be a good corporate citizen**

Famed explorer Mike Horn has been leading "The Pangaea Expedition" since 2008 in an effort to teach young people about the preservation of nature and promote sustainability. Nespresso supports this expedition, as it is considered one of the most remarkable exploration journeys ever taken. By educating young people in everything around sustainability, this program takes young people to experience and explore the world firsthand. Mike Horn says that "*The Pangaea Expedition taps the world's most powerful energy source—the younger generation—to help create sustainable solutions.*" ([www.nestle-nespresso.com/newsandfeatures/](http://www.nestle-nespresso.com/newsandfeatures/),2012).

Although Nespresso does not seem to be doing carrying out activities related to charity or philanthropy, the author believes that this level is fulfilled as Nespresso undertakes so much as part of its strategy as discussed above.

#### **6.2.5 Conclusion**

Nespresso on their website have quoted Porter (2006) who believes that the company is example of the shared value model:

*Nespresso's innovative program, which helps farmers achieve higher prices, better yields, and greater environmental performance and sustainability, is not driven by charity but by creating value. Nespresso will benefit strategically from the quality improvements that farmers achieve and coffee supplies that will be far more sustainable over time. It is this alignment between corporations and social challenges, not a mindset of separation and tradeoffs, which is the key to both economic and social progress.* ([www.nestle-nespresso.com/creating-shared-value](http://www.nestle-nespresso.com/creating-shared-value),2012)

It is undeniable that Nespresso can be considered a leader in what they do. Having clearly paid attention to the roots of Carroll's (1991) and Porter's (2006) model, by embedding CSR in their core strategy and creating shared value, will enable them to continue to hold the position they do. The association with Nestlé is never going to go away as long as they still belong to the corporation, but the company does seem to try and operate as independently as possible.

## 6.3 Tchibo

Tchibo was founded in 1949 in Germany. It is considered the world's fourth largest coffee roasting company. They are considered a market leader in roasted coffee in Germany, Austria, Poland and the Czech Republic. The company employs 12,100 employees worldwide, with 8,300 of the total number working in Germany. The Tchibo and Gala von Eduscho are the two brands in Germany, and internationally the company operates Tchibo, Jilhavanka, Eduscho and Davidoff Cafe. It is part of Tchibo GmbH, which is one of Germany's largest international companies for consumer goods and retail. They have a network of 1,100 Tchibo shops, with over 840 in Germany and an estimated 500 of them have an integrated coffee bar. Internationally they have around 300 shops with a predominant presence in Eastern European countries. They also have over 29,000 concessions in specialised retail and supermarkets, 8,300 of which also sell non-food items. They have another 7,000 concessions in Austria and over 190 in Switzerland. All their products are also available online. ([www.tchibo-nachhaltigkeit.de](http://www.tchibo-nachhaltigkeit.de), 2012)

### Company Strategy

In order to be able to control all departments with respect to sustainability, Tchibo founded a Corporate Social Responsibility department in 2006. With a target to equate the Tchibo brand with sustainability, the company has been monitoring and optimising their activities on a regional and national level for their products and processes bearing in mind social and ecological considerations. The strategy to outline, develop and implement all business activities along the lines of sustainability led to the launch of "Strengthening strengths 2010" in the year 2006. In 2010 this strategy evolved to become the "Building Our Future on Tradition", which holds sustainability at its core. ([www.tchibo-nachhaltigkeit.de/csrweb](http://www.tchibo-nachhaltigkeit.de/csrweb), 2012)

The strategy is based on three principles which are:

*-Responsibility as part of the company strategy-* Coffee, consumer goods and all major processes are set clear objectives that consider elements of social, economic and environmental nature. This is measured and evaluated at the end of each year.

*-Responsibility throughout the lifecycle of each product-* All aspects of a product's life from the use of resources, to production and disposal are closely monitored with regards to their social and environmental effects.

*-Customer Orientation-* The base of their success is considered the customer orientation which is in line with the company's values and strategy.

### 6.3.1 Economic Responsibilities - Be profitable

Taking a closer look at Tchibo's strategy they have clearly paid attention to the whole notion of CSR and have created a strategy that is in line with all the values that need to be adhered to so as to be socially responsible. Their sustainability report for 2010 is hosted on a separate website and covers areas such as sustainability management, responsibility supply chains, customer section, environmental protection, employee benefits, engagement with society and various facts and figures. In 2011 the company reported revenue of 3.500 billion €.

The above discussion covers the reasons why one can say this level of responsibility is fulfilled by the company. One interesting aspect the author of this thesis finds, however, is that the company states with regards to its operations that "*Tchibo has set key priorities and – whenever reasonable – yearly goals to live up to its responsibility*". This creates the question as to 'how reasonable' a target can be, and could the company set targets that it is confident it will be able to meet, so as to claim afterwards that it is achieving everything it sets out to do. Carefully written statements are not uncommon and have been found on all the official documentation of all coffee companies analyzed as part of this study. However, this does not mean that the results are not questionable.

### 6.3.2 Legal Responsibilities - Obey the law

Taking a closer look at their legal responsibilities, it is reported that "*Tchibo gives highest priority to fair conduct, ethical business practices and compliance with all laws. We want our employees to feel committed to these principles at all times.*"(www.tchibonachhaltigkeit.de/csrweb, 2012). Their code of conduct is a 12 page document that describes their values and standards of ethical business practices. The report consists of thirteen principles that include fair competition; prevention of corruption and granting of competitive advantages; data protection; safety and environmental responsibility; social responsibility; discrimination ban; insider trading law; protection of corporate property and business secrets; protection of intellectual property; avoidance of conflicts of interest-private activities; truthful and complete accounting in accordance with the law; economical use of corporate resources; and ambassadors of the company. It is a very well written document and there is no doubt that they try and be as legal and ethical as possible.

In 2010 Germany's Federal Cartel Office fined eight German coffee companies and their local subsidiaries 30 million € for price fixing. Tchibo was included in these companies. According to the competition regulator of the country, there has been a coordinated illegal price fix for wholesale coffee that was sold in bulk to customers such as hotels, restaurants and automatic machine companies for almost ten years. The head of the competition office said, "*Coordinated price increases for consumer goods such as coffee have a direct impact on consumers' wallets*"(www.dw.de/dw,2010). It is

needless to say that such an action that has been going on for so long is not only illegal but also unethical. Regardless how well the code of conduct of Tchibo may be written and presented on the company website and all the other reports, such actions diminish the whole notion of CSR, and Tchibo should be very careful of how it proceeds in such matters in the future. It can be said that this level of responsibility of Carroll's CSR model is only partially fulfilled, as the company knowingly for years fixed prices while portraying they are doing everything the right way.

### **6.3.3 Ethical Responsibilities - Be ethical**

The code of conduct described above includes as well the ethical practices the company adheres to. There is no doubt that they want to be ethical and they try as much as possible to instill that in their corporate practices and day to day operations.

The company works closely with the Rainforest Alliance, Fair Trade, Organic, 4C Association (Common Code for the Coffee Community) and the International Coffee Partners (ICP). Having examined the Rainforest Alliance in the analysis of Nespresso, and Fair Trade in the analysis of Starbucks, the same issues arise here in regards to the real impact such certifications and associations have. In addition, it is impossible to know the extent to which Tchibo achieves maximum certification points when being assessed, for example, and how "fair" their fair trade really is.

The Financial Times of Germany reported in 2010 that major European retailers such as H&M, C&A and Tchibo were selling cotton garments as organic although they were well aware that they contained genetically modified (GM) cotton, which is forbidden in organic cotton. This 'gigantic fraud' saw two European certifying agencies being fined for lenient processes. The laboratory that ran the tests on these garments found that GM cotton had contaminated 30% of the organic cotton samples. (oecotextiles.wordpress.com, 2010) This is not only illegal but it is also unethical, and it seems to provide evidence that once again the profitability choice has overtaken the legal and ethical choice.

#### Environmental Protection

Tchibo has three sections regarding environmental protection which are: Climate Protection, including transport, energy consumption and mobility; Biodiversity; and Conserving Resources. Once again there are several sections on their responsibility website that list all the actions they undertake to protect the environment.

They aim to reduce their carbon emissions by 30% by 2015 compared with their 2006 levels and have already managed to reduce them by 26%. They list all the actions they undertake to achieve this but some of the facts are somewhat vague. For example, they say that *"In 2006, our shipments resulted in emissions of approximately 128,500*

tones of CO<sub>2</sub>. This is good in comparison to other companies operating on a global scale – but not good enough for us” ([www.tchibo-nachhaltigkeit.de/climate-protection,2012](http://www.tchibo-nachhaltigkeit.de/climate-protection,2012)). Some of the explanations they provide are not easy to understand and if the person reading these reports is not an expert in CO<sub>2</sub> readings, he/she could not possibly say for sure that what Tchibo is doing is definitely benefiting the environment. This is not to suggest that they are not trying to reduce their emissions as much as possible but the scientific graphs and numbers presented can be misleading.

Regarding their energy consumption, they state that “*Tchibo roasts its coffee, heats and lights its shops and administration buildings and also needs to use electricity and heat in its warehouses. In short, we would not be able to run our business without energy. However, we are taking numerous measures to put a cap on our energy consumption.*” Some of these measures include equipping their roasting plant in Hamburg (Germany) with an energy-saving and environmentally friendly temperature catalytic convertor; replacing all their lamps with lower watts thereby reducing their energy consumption by half; overhauling the heating system in their warehouse in Gallin (Germany); and building lighting controls in all their shops whenever possible. In addition to these measures they are also planning to introduce energy management systems (EMS) in all their locations to manage and reduce their energy consumption even further. ([www.tchibo-nachhaltigkeit.de/protection/climate-protection/energy-consumption,2012](http://www.tchibo-nachhaltigkeit.de/protection/climate-protection/energy-consumption,2012))

There is no doubt that without energy consumption no part of their business would be possible to operate, so stating this is like stating the obvious. However, some of the measures sound good and definitely will reduce their energy consumption. Whereas phrases like “*whenever possible*” and “*plan to equip further locations with energy management systems*” are open for interpretation as to when they will really happen and be implemented.

For biodiversity they state:

*Biodiversity is one of our planet’s greatest treasures. Yet the variety of animal and plant life is declining, in part thanks to human encroachment on the world’s flora and fauna. We can measure the damage which stems from human intervention: Scientists estimate that its cost amounts to about two to five trillion dollars each year. Tchibo places great importance on minimizing the effect of its business activities on biodiversity.* ([www.tchibo-nachhaltigkeit.de/biodiversity,2012](http://www.tchibo-nachhaltigkeit.de/biodiversity,2012))

Once again the company’s statements are very informational and somewhat vague. No real measurable actions can be identified concerning biodiversity, other than the fact that they will be “*promoting biodiversity even more intensively in the future*”. One interesting aspect that the author has noticed, is that biodiversity is not included as a gen-

eral term in CSR and Tchibo is the only company that has taken an approach to include it as part of its environmental strategy.

Conserving their resources includes taking measures for water, packaging and waste. They take numerous steps for each resource, which are presented in graphs and carefully written statements, and undoubtedly prove that the company is trying as much as possible to reduce their impact on the environment. Overall it can be said that Tchibo is taking significant steps in protecting the environment and as much as possible try and implement measures and initiatives which will continue to do so. Some of the facts presented on the company website are open for interpretation, as mentioned above, but this is something that was found to be true in the cases of all the coffee companies analyzed for the purpose of this thesis.

#### **6.3.4 Philanthropic Responsibilities - Be a good corporate citizen**

Education and vocational training is heavily supported by Tchibo. The company is committed in the regions where its products are being produced to support as much as possible the workers and their families. They participate in projects that enhance education and training and they have created a principle called "*help them to help themselves*". Through this principle Tchibo aims to improve the living conditions of its workers by building schools, establishing childcare programmes and provide training. They focus heavily on supporting coffee and cotton producing countries since without them they would not be able to have the products that they sell. They have active projects running in Guatemala, offering better education for the children of coffee farmers; in Columbia, building a new classroom and providing all necessary furniture and teaching materials; and offer training programs in Kenya to better involve women in gaining knowledge with regards to cultivation, coffee growing, maize, beans and mangos. Tchibo also supports "Cotton Made in Africa", which is an initiative set up by the "Aid by Trade Foundation" and aims to improve the living conditions of farmers and their families in Benin, Burkina Faso, Malawi, Zambia and Cote D'Ivoire. ([www.tchibo-nachhaltigkeit.de/promoting-education-and-training](http://www.tchibo-nachhaltigkeit.de/promoting-education-and-training), 2012).

In addition they are also committed to charity and have supported numerous campaigns and organizations. They donated over 80,000 € to the "Red Noses" campaign that sends clowns to cheer up children in hospitals and keep their mind away from their illness and condition. They also have supported the "Whatever it Takes" campaign, where celebrities draw a picture and then donate it to the 21st Century Leaders Foundation. In 2009 and 2010 Tchibo donated over 265,000 € to the foundation, which in turn supported organisations like the Nelson Mandela Children's Fund, Lifebeat, Trade plus Aid and UNICEF. Tchibo has also donated over 22,000 € worth of coffee to community initiatives and other food charities. ([www.tchibo-nachhaltigkeit.de/community-involvement](http://www.tchibo-nachhaltigkeit.de/community-involvement), 2012)

All these efforts definitely show that Tchibo is actively trying to be a good corporate citizen, and it definitely fulfils this level of responsibility of Carroll's (1991) CSR model.

### **6.3.5 Conclusion**

The author of the thesis believes that Tchibo's CSR activities and strategy are still under construction. The company started officially to adopt and launch CSR activities in 2006 bearing in mind they have been operating since 1949 it has taken them a while. The adoption of a CSR framework came with a delay which has yet to mature. More specifically in the case of Tchibo, CSR can not be identified as strategic CSR and integrated in the core company's strategy. The major reason of this inference is the scandal they have been involved with. The evidence of coordinating price increases for more than ten years can not be erased so easily from their image and their history. Following illegal and unethical practices for so long reflects the way a company is choosing to do their business. However, as CSR is the way to change the way businesses are operating, Tchibo did very well by adopting it. Nevertheless, it has to be integrated in the company's core strategy going forward.

## **6.4 Lavazza**

Lavazza was founded in 1895 in Turin, Italy. It is a family owned business that has run over four generations so far. It is considered a leader in Italy with a 48% share of the retail market in value. It has eleven subsidiaries and is present in over ninety countries around the world. The company employs four thousand employees and has over forty-five coffee laboratories around the world. They have focused heavily over the past twenty years in the production and marketing of systems and products for the portioned coffee segment. There are over 17 billion cups of Lavazza coffee consumed yearly worldwide. Lavazza has the largest production area in Europe in their Turin plant, operating on 73,000 square meters of space. Out of the twenty million coffee-consuming families in Italy, 16 million buy Lavazza. (www.lavazza.com, 2012)

The company takes great pride in being innovative especially in all areas regarding coffee. It has therefore set up a training centre that provides the opportunity to learn more about the world of coffee, as well as learning to maintain standards in regards to preparation and consumption of all the environments where coffee is consumed. The Lavazza Training Centre collaborates with the following partners: University of Gastronomic Sciences of Pollenzo, The Polytechnic of Turin, Slow Food, Italian Culinary Institute for Foreigners (ICIF), Italian Food Style Education (IFSE), Italian Federation of Public Concerns (FIPE). (www.lavazza.com/trainingcentre, 2012) This is a great effort to engage with their consumers, the public and further build on their reputation as they want to engage with the community as much as possible.

The company does not seem to have a specific environmental strategy in place but they address ecological issues by adopting quality certifications. They have a Quality Management System in place that complies with the ISO 9001:2008 standards. Their production plants in Italy have also been awarded the following quality standards qualifications:

#### Turin Plant

- ISO 9003
- ISO 9001 Quality Management System certification
- Integrated Environmental IPPC certification

#### Pozzilli Plant

- ISO 9001 certification

#### Verres Plant

- EMAS environmental certificate

The ISO 9000 series of standards are published by ISO, the International Organization for Standardization. They are a series of standards that set out specific requirements and provide guidance on good management practice (www.iso.org,2012). These series of family of standards have a set of principles that organizations need to follow, which have to do with quality management and quality management systems. According to ISO 9000 it is needed to fulfill "The customer's quality requirements, and applicable regulatory requirements, while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives". Independent confirmation of the ISO requirements comes from third party verification bodies, and today there are over one million organizations in one hundred and seventy six countries that have been so far certified with the ISO 9001:2008 (www.iso.org/quality-management,2012). It is "now firmly established as the globally implemented standard for providing assurance about the ability to satisfy quality requirements and to enhance customer satisfaction in supplier-customer relationships" (www.iso.org/iso/pressrelease,2010)

Notwithstanding its popularity, these standards do not come without their criticism. In order to register for the ISO certification process and especially the ISO 9000 and 9001 series, significant capital, time and paperwork are essential, which have been characterized as "*excessive and extremely inefficient*" by quality managers (Dalgleish,2003). Some believe that the series altogether are wasteful and do not provide any real use for the organizations that adopt them (Seddon,2000; Dalgleish,2003). Seddon (2000) believes that understanding and improvements are overshadowed by the specification requirements, the control and the procedures required for the certification. Wade (2002) argues that organizations should not rely only on the ISO 9001 specifications because there are no guarantees that a successful quality management system will be implemented. Sometimes organizations tend to focus on just getting the certificate up the

wall, overlooking the important aspect of improving quality in the process. Additionally, involving third party verification bodies only increases the cost of getting the certification (Barnes, 2000).

There is no doubt that the ISO Standards do provide use for the organizations that adopt them, they would have not been adopted by some many organizations worldwide otherwise. Bearing in mind the above criticisms however, questions arise about the whole quality management system that exists within Lavazza. Based on the certification alone it cannot be said that they do 'enough'. The company has their own management system in addition to the ISO certifications which is very positive, but the author contends that Lavazza should do more than rely on the popularity that comes by the ISO standards.

#### **6.4.1 Economic Responsibilities - Be profitable**

Lavazza does not publish a financial report that is available for download from the company website. In their press section the latest financial report comes in the form of a one page press release for the financial year of 2009. They have not published anything yet for 2011 besides that the company reported revenue in excess of 1,200 billion €. ([www.lavazza.com/numbers](http://www.lavazza.com/numbers), 2012)

There is also no specific section dedicated to outlining their strategy. After reading several press releases it appears that their aim is *"towards broader internationalization of our Group and the objective of being the leader in the espresso coffee sector."*

Examining closely all their activities the company undertakes, it is evident that CSR is high on the agenda on the way they operate. It would be more beneficial however, to have a section where they have all their CSR initiatives and actions together. One has to go in each individual section of all their subcategories on the website to gather the relevant information which has proven to be extremely time consuming.

Lavazza has gained a reputation for partnering with a number of prestigious international events in areas such as sport, culture and arts. Some examples include the 1998 FIFA World Cup, a 16 season long, ongoing association with London Fashion Week and a three year partnership with the Wimbledon championship that started in 2011. The company also produces the Lavazza Calendar that has been running now for over 20 years and has featured the works of world renowned photographers such as Helmut Newton, Annie Leibovitz, David LaChapelle, and Mark Seliger. ([http://www.lavazza.com/PR\\_Wimbledon.pdf](http://www.lavazza.com/PR_Wimbledon.pdf), 2011)

Being able to be associated with such prestigious events and activities there is no doubt that the company is not only performing well but also has the capability to allo-

cate significant resources for forming such partnerships. Therefore, this level of responsibility is fulfilled.

#### **6.4.2 Legal Responsibilities - Obey the law**

The company has a section on the company website titled code of conduct. They state, "*The way in which business is conducted is just as important as the profits achieved and that nobody should operate under the false assumption that business targets are more important than legal and ethical standards*" ([www.lavazza.com/company/ethic](http://www.lavazza.com/company/ethic), 2012).

It is a 12 page report that covers aspects such as responsibility in the workplace; guaranteeing a safe working environment; guaranteeing a positive working environment; treating personal information as confidential; protecting company assets; correct use of IT systems and of the internet; protecting confidential company information and observing the confidentiality obligation; handling the content of external communications; responsibility in the marketplace; respecting the competition; avoiding conflicts of interest such as acting with caution when accepting gifts and perks; avoiding unlawful payments and irregular forms of payment and prevention of money laundering; and implementation and guarantees.

This is a well written document that could possibly also be used as an employee handbook on how to conduct oneself and how to avoid certain aspects within business. It shows that the company is willing to take its responsibilities seriously but no other critique can be offered on this.

In an extensive search that was done on the internet the only major scandal that Lavazza was found to be involved in is the price fixing scandal of 8 major coffee chains in Germany. Lavazza was included in a fine totalling 30 million euros for price fixing in a period spanning almost ten years. This was extensively analyzed in the case of Tchibo in section (6.3). Being engaged in such an illegal activity for such a long period of time questions their code of conduct and the way they are willing to do business altogether.

Obeying the law is essential to the whole notion of CSR. Bearing in mind the above fact, this level of responsibility is only partially fulfilled. One may suggest that as they operate globally, being critiqued on an individual scandal from one country would be too harsh, but the author contends that if the company was involved in such illegal activities once who is to say that it will not do it again in the future.

#### **6.4.3 Ethical Responsibilities - Be ethical**

Human, environmental and cultural assets have been a strong focus of the Lavazza family. They state, "*Lavazza is more committed than ever before towards promoting sustainable development*" ([www.lavazza.com/socialresponsibility](http://www.lavazza.com/socialresponsibility), 2012). In their efforts

to be ethical, they are involved in activities that try to improve company's social welfare, living conditions and productions facilities.

The Tiera project started in 2002 and is a “*sustainability project aiming for social development and economic growth of the communities involved*”. It now runs in Colombia, Honduras, Perú, Brasil, India and Tanzania. VOLCAFE who is considered a world leading trader of green coffee offered its technical support so as to be able to fulfill this project. By working closely with local communities, the main aim is to enable them to become more autonomous as well as improve standards relating to the quality of the coffee cultivated. Rooted in the notion that economic growth and social development are closely interconnected, the environmental, social and cultural norms must be taken into consideration so as to be able to grow and at the same time respect and protect the natural resources. ( [www.lavazza.com/tierra1](http://www.lavazza.com/tierra1),2012)

Lavazza states, “*Tierra seeks to enable these highly impoverished communities to improve their living standards and the quality of their coffee, to find ways of selling it on more advantageous and competitive terms, and to achieve greater financial independence, all using environment-friendly techniques.*” ( [www.lavazza.com/tierra1](http://www.lavazza.com/tierra1),2012).

They are partnered with the Rainforest Alliance to certify their Tiera projects and they state “*The Alliance seeks to protect native flora and fauna while encouraging sustainable agriculture, in the belief that conservation can also provide health, social and financial benefits. Its audits are rigorous, with growers being required to provide full, ongoing evidence of their compliance even after obtaining certification.*” ( [www.lavazza.com/tierra1/partner](http://www.lavazza.com/tierra1/partner),2012)

This is a great effort by the company to be socially responsible and there is no doubt that the impact these projects have on the livelihoods of the farmers they work with is immense. I believe therefore that this level of responsibility is fulfilled. Having extensively discussed the issues arising by the Rainforest Alliance Certification however, one should be a little bit more skeptical before blindly believing that this certification alone proves how ethical they really are.

#### **6.4.4 Philanthropic Responsibilities - Be a good corporate citizen**

In its efforts to be a good corporate citizen Lavazza is supporting “Save the Children”, a charity that aims to protect disadvantaged minors as well as specific sustainability projects in Africa and Central America run by the International Coffee Partners. In addition, the Lavazza family set up the Giuseppe and Pericle Lavazza Foundation, a charitable, non-profit foundation that focuses in coffee-producing countries on managing projects relating to sustainability and social welfare ( [www.lavazza.com](http://www.lavazza.com),2012). The Tiera projects is their ongoing effort not only to be ethical but also to give back to the communities they work with and there is no doubt that this level of responsibility is also fulfilled.

### 6.4.5 Conclusion

Lavazza is the first company so far that adopts quality standard certifications. By meeting the certification standards the company claims that they assure their activities and products. Some may assume that through these certifications the company is fulfilling all levels of responsibility in relation to Carroll's (1991) model, but this is not necessarily true. Nevertheless, the author believes that Lavazza is fulfilling all the responsibility levels because of all the additional activities they undertake and the major impact the Tiera projects have in all the countries they are involved with.

### 6.5 Costa Coffee

Costa Coffee is a multinational coffee house company based in the United Kingdom. It is a wholly owned subsidiary of Whitbread Plc. It is considered the largest coffee house chain in the UK. (www.caterer.com,2012) The company was founded in 1971 and now owns over 1,500 stores in the UK and over 700 in 24 other markets. It is considered the fastest growing coffee chain in the UK. (www.whitbread.co.uk,2012)

In terms of size it is nowhere near as big as Nespresso or Starbucks and activities they undertake with regards to CSR practices are therefore significantly less. The analysis of Costa Coffee will therefore be smaller as there is not that much information to analyze from. The company does not seem to have an environmental strategy in place, or a designated section on the company website where it outlines its environmental management and ways it is being measured.

In the "contact us" section of the company website they have several questions related to the public such as general feedback, work opportunities, general information about the Costa Coffee business, as well as a section for students that is titled "Students". In this section under the title, "*I want to know about Costa's approach to Corporate Social Responsibility*", one can find three initiatives relating to their corporate social responsibility. These are details regarding the Rainforest Alliance certification, which will be discussed in the ethical section below, a case study about their coffee cups and a case study about milk bags. (www.costa.co.uk/contact-us/students/,2012) The link to be able to read and evaluate the milk bags case study could not be opened after trying several times therefore no critique can be offered on that.

Costa Coffee have undertaken the following actions to reduce their waste and increase their recycling efforts in regards to their coffee cups. These include reducing the content of the inner cup cardboard by 10%, thereby saving 1,000 trees a year; replacing the inside layer of the outer wrap with recycled paper; replacing the outer wrap of their cups with a lighter single layer material; adding calcium carbonate to their lids so less plastic is being used; only using sustainably sourced card materials in all their cups. (www.whitbread.co.uk/ Costa Cup Recycling,2012) These actions appear to be

good although there is no measurable evidence on their website to support their actions. For example, it would impossible to know for sure that 1,000 trees are saved each year by reducing the inner cup content.

The author contends that details regarding their recycling efforts and their CSR initiatives should have a section of their own because if you don't know what to look for, no one would think that the "contact us" section with a heading for students would offer such information. For a company that claims to be the UK's favorite and fastest growing coffee chain, they appear to have an amateur attitude regarding the presentation of their actions, especially if one were to compare them with Starbucks or Nespresso.

### **6.5.1 Economic Responsibilities-Be profitable**

Costa Coffee's mission is "*to save the world from mediocre coffee*" ([www.costa.co.uk/ourcoffee](http://www.costa.co.uk/ourcoffee),2012). They do not have a section where their strategy is outlined, but they do give the feeling that they take responsibility in mind in their practices.

Costa Coffee does not produce their own financial report and their results are highlighted in Whitbread's financial results. Costa's underlying profits for the year 2010/2011 were up 38.0% at 86.262 million €, and their return on capital was up to 32.4% from 28.3% the year before. Total sales grew by 27.5% and like-for-like sales grew by 5.5%.They grew their stores net growth by 175 stores in the UK and 157 overseas. ([www.costa-business.co.uk/results](http://www.costa-business.co.uk/results),2012) By these statistics it appears that Costa Coffee is a healthy and profitable company and has fulfilled this level of responsibility.

### **6.5.2 Legal Responsibilities - Obey the law**

There is no relevant information on the company website in regards to their business principles or any specific code of conduct that the company has created to be able to offer a critique on it. No major or significant scandals could be located on the internet either; therefore, it is reasonable to assume that they do obey the law and this level of responsibility is fulfilled.

### **6.5.3 Ethical Responsibilities - Be ethical**

Costa Coffee have a section on the company website that is titled "responsible coffee" where they outline their social and environmental responsibilities. They state, "*We want our coffee to leave a lasting impression on you, not our environment. That's why we do everything we possibly can to look after the communities we serve and the world we live in.*"([www.costa.co.uk/responsible-coffee](http://www.costa.co.uk/responsible-coffee),2012).

Stating that "*we do everything we possibly can*" is a very vague sentence that is open for interpretation. It would be much more effective to have a list of goals and targets

that are measurable, and then present these targets on the website so as to really show what exactly they are doing in regards to the environment.

They state on their website, "*Costa are leading the coffee market in their achievements towards 100% certified coffee in all its stores across the world. By working in partnership with the Rainforest Alliance it is setting very high standards for others to follow.*"(www.whitbread.co.uk/Costa-rainforest-alliance-certification.pdf,2012) Having extensively discussed the issues of the Rainforest Alliance certification in the analysis of Nespresso, the same ethical issues arise here as well. It is not possible to know how many certification points the farms used by Costa Coffee have received in order to get the certification. One might assume that they have only completed the bare minimum. Bearing in mind how lax the certification can be and the fact that all major coffee chains examined for the purpose of this thesis have this or similar certifications, such as fair trade, suggests that saying they are "*setting very high standards for others to follow*" is paradoxical.

As a whole, the company is taking steps to be as ethical as possible and there is proof that this level of responsibility is fulfilled. Costa Coffee will need to be careful that they monitor their certification process and avoid as much as possible any issues relating to their ethical practices.

#### **6.5.4 Philanthropic Responsibilities - Be a good corporate citizen**

The company hosts yearly The Costa Book Awards, which is considered one of the most prestigious and popular literary prizes in the UK and Ireland. Having five categories, including first novel, novel, biography, poetry and children's books, this prize celebrates literacy and new talent. It was established in 1971 and was previously known as the Whitbread Literary Awards until 2006 when Costa Coffee took ownership from Whitbread (www.costabookawards.com,2012). Although this award has nothing to do with coffee, it is the company's attempt to be more involved in the society.

In 2006 the company set up the Costa Coffee foundation, which is a registered charity that helps improve the social and economic welfare of coffee growing communities in countries such as Costa Rica, Columbia, Ethiopia, Guatemala, Uganda and Vietnam. Providing education for the children of coffee growers is the main aim of the foundation. Their main achievements so far have been to help twenty-two different growing communities build twenty-two schools and one hundred and nineteen classrooms, providing jobs for 193 teachers and enabling access to education for 11,800 children. They want to grow this number to 15,000 children in the next two years. Through their charity they hope to raise funds in excess of a quarter of a million pounds to be able to do so. (www.costa.co.uk/ targets-and-achievements,2012) Although the foundation is small in size, their attempt to better the lives of the farmers they work with is admirable. Therefore, this level of responsibility is fulfilled.

### 6.5.5 Conclusion

Costa coffee at a first glance seems to fulfill almost all the responsibility levels. Nevertheless the fact that the legal actions are not officially publicized on their website leaves the impression to whoever is looking for it, that this section is overlooked. In addition the company is in partnership with the Rainforest Alliance, but it is not clear what else it is doing regarding the cultivation and the production areas, which leaves many aspects open for interpretation. One element that is clear is the fact that being one of the smaller companies in size, possibly less funds are available that can be invested in CSR and transparency.

### 6.6 Illy

Illy is an international coffee chain company that was founded in 1933 in Trieste Italy by Francesco Illy. It started as a family business and the company is still being run by members of the Illy family today. Their coffee is available in over one hundred forty countries. Worldwide they have over two hundred espressamente illy coffee bar locations and over one thousand four hundred Artisti del Gusto cafes. They have founded four major research facilities and have created four major worldwide coffee industry innovations. Illy employs over seven hundred employees worldwide. The company participates in over fifty thousand events every year around the world. Fifty-six percent of the company's market share comes outside Italy. ([www.illy.com/company](http://www.illy.com/company),2012)

In an effort to create long standing and healthy relationships with its farmers Illy has created four pillars upon which the key principles of this relationship is based on ([www.illy.com/four-pillars](http://www.illy.com/four-pillars),2012) These are:

(1) Selection- by searching for the best growers of Arabica coffee, illy agronomists and technicians travel the world to find the growers with best potential that will also commit to the illy quality standards. Selection criteria vary from country to country as there are different realities present in all of them. In Brazil, the growers are selected through the Ernesto Illy Quality Prize for Espresso competition, for example.

(2) Training and Incentives- With over eighty years of coffee experience the agronomists from illy's Università of Caffè program are able to support the coffee growers and enhance in-field cultivation techniques through the use of business management strategies.

(3) Recognize Quality, Guarantee a Profit - By achieving the highest quality standards farmers are rewarded so as to be able to claim that they are involved in sustainable production. Illy adds a significant margin on the prices of Arabica internationally. They also pay a premium for achieving superior quality directly to the farmers as there is a bigger cost and effort to achieve that quality

(4) Build a community and culture of excellence- Illy constantly aims to maintain a culture of coffee excellence in a number of creative ways in all the regions they operate . In Brazil for example,the *Clube illy do Cafè* was founded by Illy in 2000 and it has grown to have more than six hundred growers today. Illy is able through this program to establish with the growers direct relationships that are based on knowledge and mutual growth

One of the world's leading independent industrial process arbiters, Det Norske Veritas, awarded Illy in 2011 with the Responsible Supply Chain Process certification. Based on the quality of Illy's relationships with suppliers, this certification confirms the sustainable practices of the company's supply chain. Using some of Illy's practices, Det Norske Veritas created this certification model by conveying roles that are critical in relation to value creation and quality improvement. ([www.illy.com/certifications](http://www.illy.com/certifications),2012)

There does not appear to be any environmental strategy in place or a list of actions in regards to waste management,recycling,carbon emissions etc. They do however have the following certifications that refer to the company's quality standards and environmental management:

- ISO 9001
- ISO 14001
- Qualite France
- EMAS Registration

Having discussed the issues that arise from certifications such as the ISO Standards in the analysis of Lavazza,the same criticisms are applied here. Illy should not only rely on these certifications to make a credible difference on the way they operate their business.

### **6.6.1 Economic Responsibilities - Be profitable**

Entering the Illy website one can immediately see that sustainability is key in the way the run their business. The company's mission is *"to be the best in the world for coffee culture and excellence. An innovative company offering the finest products in the best places, growing to become the high-end segment leader"*. Their values are based on their passion for excellence and ethics meaning *'construction of value over time through sustainability,transparency and people development'* ([www.illy.com](http://www.illy.com),2012) All the statements quoted for Illy show a company who want to be the absolute best in what they do and are extremely well written. Sometimes though some of the phrasing seems to be over the top in terms of how they portray themselves.

Illy does not have a section on their website where they outline their strategy per se, but they do elaborate extensively on how they operate their business under the sus-

tainability section. Their operating philosophy is *'that the continuous pursuit of quality sets into motion a virtuous cycle that creates value for all parties involved, from coffee farmer to the consumer's cup. For Illy, quality and sustainability are an inseparable pair: only the truly excellent is sustainable, and anything worth sustaining must be excellent.'* (www.illy.com/sustainability,2012)

Economic, social and environmental implications are the three fold implications they bear in mind when considering their sustainability. These are the three factors that are also embedded in the key notion of CSR, so it does appear that they have paid attention to the theory and are trying to adapt the way they operate to these principles. There does not seem to be a measurable indication of how they succeed in all these principles.

Illy does not publish any financial reports relating to its performance. No related press releases could be found either, but on their website they do state that in 2010 the company reported a gross revenue of 305 million €. The company appears to be profitable, engaging as well in many cultural and research projects that make up the Illy brand. This level of responsibility according to Carroll's (1991) model is fulfilled.

### **6.6.2 Legal Responsibilities - Obey the law**

Having undertaken an extensive search on the internet, no major scandals or issues in regards to the legal responsibilities of Illy coffee could be found. This indicates that overall Illy is fulfilling its legal responsibilities as per Carroll's (1991) pyramid. There is no doubt, however, that like any other major international company they will have disputes over issues regarding employment and other practices, but as per the findings of this research it appears that Illy 'obeys the law'.

### **6.6.3 Ethical Responsibilities - Be ethical**

The company has their own code of ethics which is titled *"act transparently"*. It is an 11 page report that outlines the commitments and ethical responsibilities that the company expects all its employees to adhere to. The general principles that are included in their code of ethics include impartiality; honesty; correct conduct in the event of potential conflicts of interest; privacy; the value of human resources; personal integrity and dignity; fair use of authority; entrepreneurship; product and service quality; responsibility to the community and protection of the environment. (www.illy.com/codeofconduct,2012) As in the case of the other companies analyzed this is a well written report that takes into consideration all the aspects required so as to be socially and ethical responsible. The report can also be considered under the legal responsibilities, in addition to being used as an employee handbook.

Illy appears to be making a lot of effort through their commitment to sustainability and the four pillars discussed above, therefore there is no doubt that this level of responsibility is fulfilled.

#### **6.6.4 Philanthropic Responsibilities- Be a good corporate citizen**

The company set up the Ernesto Illy Foundation so as to continue his life work and legacy with the aim of '*promoting knowledge, ethics and sustainability as absolute values of life and enterprise.*' The two main projects, as taken from their website ([www.illy.com/ernesto-illy-foundation](http://www.illy.com/ernesto-illy-foundation),2012), of the foundation are:

-*International Master in Coffee Science and Economics* – an accredited, graduate level course of study in coffee, from agronomy through business management, aimed at developing the next generation of industry leaders from coffee producing countries. This has been developed in collaboration with the University of Udine and Trieste, SISSA, The Trieste Coffee District and the Consortium for Molecular Biomedicine.

-*The Ernesto Illy Trieste Science Prize* -- awarded in collaboration with the Academy of Sciences for the Developing World (TWAS) to scientists who live and work in the Southern Hemisphere's developing nations who conduct internationally renowned research in sustainability-related fields.

-*The Ernesto Illy Prize for Quality Espresso*- introduced in 1991 with the aim to reward with cash the most deserving Arabica farmers in Brazil. It has so far seen over 10,000 farmers get involved, earning in excess more than 1.612 million € in prize money. The majority of the farmers have re-invested the money back into their farms making clear indications that their sustainability model is effective.

Other activities and projects they undertake include as taken from their website ([www.illy.com/ernesto-illy-foundation](http://www.illy.com/ernesto-illy-foundation),2012):

- Masters degree in Coffee Economics and Science
- Computational Toxicology research in collaboration with the International School for Advanced Studies of Trieste (Sissa)
- Research, preservation and development project of the original germ plasm of the Ethiopian coffee plant
- Pilot project in Colombia, dedicated to adverse communities, to introduce bee-keeping and the production of honey in coffee plantations, as a new source of income and environmental sustainability
- International Coffee Genome Network
- Ethics and Corporate sustainability convention

Innovation and education are deeply rooted in their essence and how they want to differentiate themselves from the competitors. They have developed three of the eight worldwide innovations in regards to coffee making, and they have also set up “Università del caffè”, known as the University of Coffee. The main objectives of the University are to teach producers the most environmental responsible ways to cultivate, harvest, process and produce coffee; offer training to professionals on how to maximize their knowledge and expertise in all things coffee and for consumers a curriculum that gives them the opportunity to learn and appreciate premium quality coffee. ([www.illy.com/universita-del-caffe](http://www.illy.com/universita-del-caffe),2012)

Since 1998 Illy has been in partnership with Share our Strength (SOS), a global non profit organization with the main aim to fight hunger. Over the course of ten years Illy has donated over 1.21 million euros to SOS. Baring in mind that non profit organizations are criticized for the way they allocate the funding they get, it is not possible to know the extend the money donated by Ily has been really used to make a difference in the fight against cancer. In 2004 they also set up the Cup of Kindness Initiative in Ethiopia which was key in enabling the funding and building of a school that was so needed in the area. ([www.illy.com/supporting-growth-community](http://www.illy.com/supporting-growth-community),2012)

Illy is also heavily involved in the arts and they have the following initiatives they are involved in as taken from their website ([www.illy.com/art](http://www.illy.com/art),2012):

- Illy and Contemporary Art
- Galleria illy
- illy Sustain Art
- illymind/la Biennale
- Art Fairs
- In Principio- Salgado
- illywords
- Festivalletteratura Mantua

This involvement is quite remarkable given the fact that Illy is a coffee company and has nothing to do with art. This is a further attempt to give back to society and create numerous opportunities for young and upcoming talents of that area.

The approach of the Illy Foundation is significantly different compared with the philanthropic efforts of all the other coffee companies analyzed. They seem to focus heavily on education, science and innovation, with a lesser focus on setting up projects in coffee growing communities. The whole notion of how the company operates is based on innovation so maybe this is why they want to continue to invest in these fields. This level of responsibility despite its different approach is also fulfilled. The company would

be even more of a better corporate citizen, if they were to engage more in activities that enhance the lives of the farmers they work with.

### **6.6.5 Conclusion**

Illy is a company that takes great pride in being innovative, being involved with the arts and sustainable practices. They do seem to build all their objectives under the umbrella of sustainability which is well rooted within Carroll's model (1991), therefore all levels of responsibility are fulfilled. It is also the only company so far that was not involved in any major scandals and this alone differentiates it from the rest, even though in size it is quite small.



## 7 INTERPRETATION

In the final chapter Carroll's (1991) model is critiqued (7.1). Whether the coffee companies analyzed utilize strategic CSR or not based on Porter's model is evaluated (7.2). In section 7.3 the research question of the thesis is answered. The thesis comes to an end in section 7.4 with the limitations section 7.5 with recommendations for future research.

### 7.1 Reaching beyond Carroll's (1991) CSR Pyramid Model

After concluding the analysis of all the coffee companies in the previous chapter, it is evident that CSR activities are prevalent in all of them. There are vast sections on each company's website devoted to analysing their CSR strategies and activities. All these activities are corresponded to each level of responsibility of Carroll's (1991) CSR model. Having based the analysis on Carroll's model (1991) however, the author has come to the realisation that the model is somewhat dated. More elements need to be added to it, so as to be able to analyse and evaluate more precisely what companies are undertaking.

The main reason for the author suggesting this is because the four elements of economic, legal, ethical, and philanthropic responsibilities could be considered generic terms of everything that constitutes CSR. Carroll (1991) does not offer a specific explanation of how this model can be applied and measured, so it is open for interpretation for whoever uses it, to make their own assumptions about CSR. There is a sense of guidance of what activities companies need to be undertaking so as to be socially responsible and where to focus first, but sometimes there is the feeling that it remains more descriptive than explanatory

A variety of thoughts were produced in the authors attempt to analyze all the data. Significant information was found to be missing however and the author believes that companies should consider incorporating them going forward, as it will enable them to present better what activities they are undertaking, and how socially responsible they really are. These are:

#### Financial information & reports

An important aspect that was found to be missing was the lack of information regarding the financial performance of each company. All companies had some financial information regarding their performance. Starbucks was the only company found to publish and post their annual report on their website, Lavazza releases their results in the form of press releases and Nespresso and Costa Coffee release their results through Nestlé and Whitbread respectively, which are the parent companies. Finding the financial data

proved to be quite the challenge, as in some cases it was scattered all over the website. Baring in mind that profitability is essential in the success of any company as well as the success of CSR, not having easy access to this type of information is unacceptable. A key reason why the results need to be published is because stakeholders and any potential investors should be able to take important decisions based on the results they see. “*Stakeholders have a lot of power, which gives them a positive influence on the CSR policies of organizations.*” (Quaak et al., 2007, p. 295). Worth mentioning here is the crucial role transparency plays in financial statements. The main purpose of publishing financial reports is to disclose information and not hide them, even though that does not happen always.

### Transparency

Transparency is not only vital for financial reporting but also for the way the whole organizational structure of a company is presented. Companies should be open about the activities they undertake and should be able to answer questions that arise from society. Transparency happens through lectures, dedicated internet sites as well as sustainability reporting. Openness is expected by stakeholders especially when considering results. (Dawkins et al. 2003)

An interesting indicator to identify whether companies are really transparent, is the way they react when they are faced with a certain crisis or scandal. In the case of Starbucks nowhere on their website was the legal dispute they have had with their employees in the States mentioned, nor was there any specific press release published to state that the company eventually settled for millions of dollars. Instead they seem to highlight the awards they receive for being voted the best place to work for, which could be considered a little bit ironic. Starbucks claim they do so much for their employees but when the scandal occurred they failed to take on their responsibilities. Even though they do so much to be as transparent as possible, examples like that could be considered a negative aspect when considering transparency

In the case of Nespresso, one might think that Nestle has learned from the masses of scandals they have dealt with over the years. They have therefore tried to position and differentiate this brand as much as possible from them so as to avoid the connection.

In the case of Costa Coffee a very important aspect missing altogether from their website is any reference to their legal responsibilities or code of conduct they adhere to. If they were transparent they should publish all their legal documentation regarding their legal responsibilities, as at the moment this is not obvious. They do seem to communicate well their mission, but they appear more like a collection of very well written statements rather than real actions, as they do not verify many of the activities they undertake. For a company that states that they do “*anything possible*” relating to the CSR initiatives, having them almost hidden under a section for students is rather amateur than forward thinking.

Tchibo can be considered transparent as they do have a whole website dedicated to their social responsibilities. Being involved in a major price fixing scandal that span over ten years and saw them fined millions of euro's, possibly initiated their attempts to become more transparent about their actions today.

In the case of Lavazza they can also be considered transparent, as they release significant information relating to all the activities they undertake. Lavazza failed however to disclose information relating to their involvement of the price fixing scandal that Tchibo was also involved in. Obviously the company is trying to put it behind them. Lavazza has taken the quality approach by adopting certifications such as the ISO 9000 series, as they believe that this is how they will be more transparent and committed towards their quest to sustainability.

Finally, Illy is the only company alongside Costa Coffee that has not faced any major scandals. Although Illy does not publish any financial reports or their strategy, it seems that there is a strong emphasis on certifications as well. Through these certifications, they consider themselves to be authenticated and therefore transparent.

Concluding, the author believes that the lack of these two elements of financial reporting and transparency made the overall analysis challenging. This is because it is not possible to critique a company and decide whether they are responsible or not in each level, if there are significant facts missing. Companies should consider these two elements when they are structuring their CSR strategies.

## **7.2 From CSR to Strategic CSR**

This is the reason why the author also decided to look at Porter's (2006) shared value model where strategic CSR is introduced, so as to be able to better understand and analyze, the CSR activities of all the coffee companies looked at. Reflecting back to the theoretical part of this thesis, it was found that companies in order to be able to gain an added competitive advantage, they need to consider CSR as a strategic element of their strategy. According to Porter et al (2006, p. 89) "*the most strategic CSR occurs when a company adds a social dimension to its value proposition, making social impact integral to the overall strategy*". In the section below the author will identify which of the coffee companies analyzed have attempted successfully to adopt strategic CSR or not.

### *Starbucks*

Bearing in mind that Starbucks reported a revenue of almost 9.422 billion euro for 2011, it is clear that this is a company that has the resources and capability to invest heavily in CSR. Starbucks has clearly paid attention to the key elements that constitute the core values of CSR and Porter's shared value model can be identified in all the actions it undertakes. The company has incorporated their actions for the society in the way they run their business, which is exactly what the shared value model is all about.

Giving something back that will have a direct impact on the way they operate their business. It is reasonable to assume that having strategic CSR implemented in their core strategy has enabled Starbucks to hold the position that they have today.

### *Nespresso*

Nespresso can be considered an example of how Porter's shared value model has been implemented and succeeded. Even Porter (2006) believes so, as he has used Nespresso as an example of how they have successfully implemented the shared value model in their strategy. One interesting aspect to consider is the fact that maybe Nespresso's success could be down to Nestlé's attempt to create a strong brand free of scandals, to prove as well that they can make it right. Having the biggest corporation in the world as your parent company there is no way they would allow room for failure but with Nespresso they have set the bar high for other companies to follow as well.

### *Tchibo*

Tchibo's strategy is based on the notion of sustainability. The company started to adopt their strategy to incorporate the values of CSR in 2006. Today, they have geared all their activities along the supply and value added chain towards sustainability. Tchibo has clearly tried to create a social dimension which is rooted in its strategy so there it is reasonable to suggest that strategic CSR is prevalent within Tchibo as well.

### *Lavazza*

Although Lavazza do not outline a corporate strategy on their website, they do seem to be performing very well based on social dimensions of CSR. They have set up various projects in the coffee producing countries they work with, which has made a significant impact in the livelihoods of the farmers they work with. This is not sufficient to suggest however, that strategic CSR is incorporated in the way they run their business. Additional transparency in how they operate could further enhance this.

### *Costa Coffee*

Of all the companies analysed, Costa Coffee is the smallest in size and revenue generation. This is clearly evident as well from the simple way all their information is presented on their website. The company takes into consideration the key elements of CSR, but there is no evidence to suggest that strategic CSR is incorporated in the way they run their business. As no key information is provided on how they formulate their strategy, it is challenging to draw general conclusions on this matter. Costa Coffee definitely has a long way to go, and if they were to consider the shared value model as well as publish more information on what they do, they would definitely improve their position.

### *Illy*

Illy also speaks very loudly about their commitment to sustainability and have considered social, environmental and economic implications in the way they run their business. Although the company does not outline their strategy in detail, a social dimension seems to be created by their foundation and their efforts to be involved in research, education and arts. This is a different approach compared with the other coffee companies analysed, and some measurable evidence seems to be missing to confirm that strategic CSR is embedded in the way they run their business. Therefore at the present time the author does not believe that their CSR is strategic.

Using Porter's (2006) theory the author was able to identify which of the coffee companies analyzed have successfully integrated strategic CSR in their strategies. In the companies where this was the case, their success is proof that by creating a social dimension that is embedded in the company's strategy the overall performance is improved. This leads to the next section where the research question will be answered.

### **7.3 Answering the Research Question**

The purpose of this thesis was to investigate to what extent companies can improve their market performance by adopting CSR and CSR related strategies. More specifically the aim was to identify whether companies within the coffee industry that predominantly source their coffee from developing countries, are implementing CSR activities, and whether they are able through these activities to differentiate themselves in the market place and improve their performance. The research question was: *To what extent could the implementation of CSR strategies be an appropriate tool to improve market performance and succeed in the coffee industry?*

The backbone of the question was based on Carroll's(1991) CSR Pyramid model that outlined 4 responsibilities companies need to fulfil so as to be socially responsible; and Porter's shared value model theory (2006), which suggests that in order for CSR to be strategic it has to be embedded in a company's core strategy by creating a value proposition for the company and the society.

Surprisingly all the coffee companies analyzed within the coffee industry have clearly paid attention to the notion of CSR and have all made significant efforts to be socially responsible. Starbucks and Nespresso with a combined revenue of almost 12 billion € have undoubtedly improved their performance by having strategic CSR embedded in their strategy. This is because they are both global companies that managed to invest in their resources, such as the farmers they work with from almost the very beginning. Such actions require significant capital resources however, and only companies of that scale can justify such investments. So, although their success is definitely down to the creation of shared value, both for them and the society, it definitely has not come cheap.

By integrating strategic CSR into a company's core strategy, their long term viability is ensured. In a highly competitive industry which is vulnerable from so many external factors, such as the coffee industry, to be able to stay in the market does not come effortless. Companies which implement strategic CSR, instead of a surface CSR plan, will remain and continue to compete in the market arena. That will happen because a company with a strategic CSR policy will firstly ensure that CSR activities benefit the organization and its operations, which will be directly linked to a positive societal outcome.

On the other hand a simple adaption of CSR has the disadvantage that it is not going deep enough, and a company is not able to focus its efforts in improving its raw resources. If the core of the company is not looked at, at the start of the implementation of CSR it could make it very susceptible to failure. More specifically, in today's fast paced world, where information spreads increasingly fast, an unethical or illegal practice could destroy a company's image and even lead it to collapse. This is because consumers nowadays are much more informed about what is happening in the world. They are therefore able to make choices that have the power to influence the course of a company, such as boycott their products. Worth mentioning is the pressure consumers put on Nike, when evidence surfaced that the company used sweatshops and child labour to manufacture their trainers, which saw their profits sink by a staggering 70% in 1998 compared to their profits in 1995 (Klein, 2001). The longstanding boycott of Nestlé products is also another example that was extensively discussed in the analysis of Nespresso that shows the power that consumers have.

Therefore these examples lead to the conclusion that going forward using strategic CSR will be inevitable for companies if they wish to succeed. In the case of the coffee industry for example, Costa Coffee does not seem to utilize the notion of strategic CSR at all. It would be reasonable to suggest, that if a similar company of the same size and performance entered the market with the shared value model embedded in their strategy, they would undoubtedly surpass them.

Considering the above analysis, it leads to the conclusion that the research question was successfully answered, and that CSR strategies are an appropriate tool to improve market performance in order to succeed in the coffee industry.

## **7.4 Limitations of the Thesis**

This sections will outline the limitations that the author encountered after the thesis has completed. Through these limitations, recommendations for future research will be provided.

Having only six coffee companies as the sample for analysis could be considered not enough, so as to be able to draw general conclusions for CSR in the coffee industry or

overall. A similar study in the future could include double the amount, which would enable some broader generalizations to be made.

Using the case study approach as the chosen methodology where data from all the coffee companies was analysed, has also provided limited results. As the main source of information was each company's website, the author was restricted to offer an insight only on the data available. Using multiple methodologies, such as a quantitative and qualitative approach would have certainly enriched the findings of this study. For example, managers responsible for each company's CSR activities could be interviewed and a questionnaire could be handed out to company staff. Through this multiple approach a researcher would be able to really evaluate if what each company is saying, is actually really happening, and to what extent the CSR notion is embedded in the minds of the employees.

Another limitation has been the way each company present their CSR activities. Since there is not a universally accepted standard available, for companies on how they should report CSR, each company use different ways of presenting their facts. This has proven to be a challenge, especially during the analysis where the author tried to offer consistency and structure. Unfortunately this was not always possible. An equal format that companies can adopt and utilize would definitely enable a better analysis.

Time constraint has proven to be a limitation as well, as more time would have given the author the possibility to use the additional methodologies discussed above. Nevertheless, the author believes that for the time she had, she has provided a detailed and thorough analysis.

Finally, as there is no standardised way to measure CSR, it is challenging to offer general conclusions. Nevertheless, the author does offer her personal recommendations for researchers and businesses going forward in the following section.

## **7.5 Recommendations for future research**

CSR is a topic that will continue to interest business and academic researchers, therefore more focus should be put on trying to find ways to better evaluate and measure it. A sustainability report aims to cover all the relevant aspects of a company's CSR, but it can be sometimes difficult to report all available and necessary data. There are several tools, systems and guidelines to help organizations with that matter, one of them being the Global Reporting Initiative guidelines (GRI guidelines).

This initiative is being used by companies all over the world. (Quaak et al. 2006) With the broader aim to reach a significant larger group of stakeholders rather than just the shareholders, the guidelines enable the delivery of the sort of information that is expected by stakeholders. (GRI, 2002) According to Quaak et al (2006, p 296) "*The GRI guidelines do not represent a code of behaviour or a performance indicator, but aims to*

*give tools to report measures that are taken to improve economic, social and ecological performances; this is to compare the results of those measurements and to compose strategies to improve. In this way, GRI gives indicators for subscribing to the CSR activities, like average hours of training per year per employees.”*

Another recommendation in the quest for successful CSR implementation, is the help from the political sector. So as to be able to ensure minimum acceptable standards of environmental and social welfare in consuming and producing countries, government regulation is definitely needed. If minimum standards for sustainability ever become a legal requirement for companies “*CSR could still be a way for companies to ‘do good by doing good’ and benefit from the win-win situations, but sustainability would also be ensured’*. (Persson, 2008, p.73)

Concluding, so as to be able to gain more of an in-depth understanding of the CSR reporting within the coffee industry, a larger sample could be considered if this study were to be repeated. As CSR covers multiple subject areas, community and employee relations could be added in the study for example, as already mentioned above. Finally, it would be very interesting to compare the results from the coffee industry with another industry that is championing CSR as well, such as the hospitality industry or the pharmaceutical industry, or even both. If such a comparison were to be made, the findings would offer an even greater insight as to how all industries need to progress to become ultimately sustainable.

## 8 BIBLIOGRAPHY

- Abrams, F.K. (1951), 'Management's responsibilities in a complex world', *Harvard Business Review*, XXIX, pp. 29–34.
- Ackerman, R. (1973). 'How companies respond to social demands'. *Harvard Business Review*, July/August, pp. 88–98.
- Allison, M., (2007, 2 January). 'Union struggles to reach, recruit Starbucks workers.' *The Seattle Times* Available: [http://seattletimes.nwsourc.com/html/business/technology/2003505497\\_union02.html](http://seattletimes.nwsourc.com/html/business/technology/2003505497_union02.html) - retrieved on: 29 April 2012.
- Argyres, A., McGahan, M., (2002), 'An Interview with Michael Porter', *The Academy of Management Executive*, 16 (2) pp.44.
- Arnot, C., Boxall, P., & Cash, S. (2006) 'Do ethical consumers care about price? A revealed preference analysis of Fair Trade coffee purchases.' *Canadian Journal of Agricultural Economic* 54 (4) pp. 555-565.
- Barnett, M.L. (2007), 'Stakeholder influence capacity and the variability of financial returns to corporate social responsibility.' *Academy of Management Review*, Vol. 32 (3) pp.794-816.
- Bell, J. (1992) '*Doing your research project, a guide for first time researchers in education and science.*', Bristol: USA.
- Bernstein, A. (2000), '*Too much corporate power*', *Business Week* pp. 149.
- Block, E., (1986), '*The comprehension strategies of second language readers.*' *TESOL Quarterly* 20 (3) pp. 463-494.
- Booth, P. and Whetstone, L. (2007) 'Half a Cheer for Fair Trade.' *Economic Affairs* 27 (2) pp. 29–36.
- Booth, P. (2008). 'The Economics of Fairtrade: a Christian perspective. London: Institute of Economic Affairs. Available: <http://www.iea.org.uk/record.jsp?type=book&ID=437> – retrieved on: 15 May 2012.
- Booth, P. (2009, 20 February) '*Don't bully the faithful into buying Fairtrade.*' *The Catholic Herald*. Available: <http://archive.catholicherald.co.uk/article/20th-february-2009/12/dont-bully-the-faithful-into-buying-fairtrade> - retrieved on: 15 May 2012.

Bowd, R., Jones, B., Tench, R., (2005), '*CSR and the Media, Summary Research Report*', Leeds Metropolitan University and Connectpoint, Leeds.

Bowen, H. (1953), '*Social Responsibilities of the Businessman*', New York: Harper.

Brink, Lindsey. (2004). 'Grounds for Complaint.' Adam Smith Institute. Available: <http://www.adamsmith.org/sites/default/files/images/stories/groundsforcomplaint.pdf> - retrieved on: 15 May 2012.

Broom, M.G., Dozier, M.D., (1990), '*Using Research in Public Relations: Applications to Program Management*.' Prentice Hall International (UK) Limited, London.

Burgess, R. G. (1984), '*In the Field, An Introduction to Field Research*, London: Routledge.

Campbell, D., (1975), 'Degrees of freedom and the case study.' *Comparative Political Studies* 8 pp. 178-185.

Carroll, A.B., (1979), 'A three-dimensional conceptual model of corporate performance', *Academy of Management Review*, Vol. 4 (4) pp.497-505.

Carroll, A.B., (1991), 'The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders.' *Business Horizons*, July-August.

Carroll, A.B., (1999), 'Corporate social responsibility: evolution of a definitional construct', *Business and Society*, 38 (3) pp. 268–295.

Carroll, A.B. and Buchholtz, A.K. (2009), '*Business and Society: Ethics and Stakeholder Management*.' 7th edn. Mason, OH: South-Western Cengage Learning.

Carroll, A., Shabana, K., (2010), 'The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice.' *International Journal of Management Reviews*, pp. 85-105, Blackwell Publishing Ltd.

Caterer and Hotelkeeper (2009). 'Whitbread PLC.' Available: <http://www.caterersearch.com/Companies/33934/whitbread-plc.html> - retrieved on: 15 May 2012.

Costa Coffe (2012).

- a. 'Costa way.' Available: <http://www.costa.co.uk/costa-coffee/the-costa-way/> - retrieved on: 12 May 2012.
- b. 'Responsible Coffee.' Available: <http://www.costa.co.uk/costa-coffee/responsible-coffee/> - retrieved on: 12 May 2012.

- c. 'Costa Foundation- About the Foundation.' Available: <http://www.costa.co.uk/costa-foundation/about-the-foundation/> - retrieved on: 12 May 2012.
- d. 'Costa Foundation-Success Stories' Available: <http://www.costa.co.uk/costa-foundation/success-stories/> - retrieved on: 12 May 2012.
- e. 'Costa Foundation-Targets and Achievements.' Available: <http://www.costa.co.uk/costa-foundation/targets-and-achievements/> - retrieved on: 12 May 2012.
- f. 'Costa book awards.' Available: <http://www.costabookawards.com/> - retrieved on: 12 May 2012.

Clifford S. (2005, 1 May). 'So many standards to follow, so little payoff.' *Inc.* Available: <http://www.inc.com/magazine/20050501/management.html> - retrieved on: 11 May 2012.

Crane, A., Matten, D., (2005), 'Corporate Citizenship: towards an extended theoretical conceptualization.' *The Academy of Management Review*, Vol. 30 (1) pp. 166-179.

Dagens Nyheter, (2005) "Strid om vilket kaffe som är rättvist", Available: [www.dn.se](http://www.dn.se), retrieved on: 1 May 2012.

Dalgleish S. (2003, 5 May). 'Probing the Limits. ISO 9000: More Hindrance than Help.' *Quality Magazine* Available : <http://www.qualitymag.com/Articles/Column/562979be55c38010VgnVCM100000f932a8c0> - retrieved on: 11 May 2012.

Davis, K. (1960), 'Can business afford to ignore social responsibilities?', *California Management Review*, 2 (3) pp. 70–76.

Davis, K., (1973), 'The case for and against business assumption of social responsibilities.' *Academy of Management Journal*, June, pp. 312–322.

Dawkins, J. and L. Stewart: 2003, 'CSR in Stakeholder Expectations: And Their Implication for Company Strategy.' *Journal of Business Ethics* 44, pp. 185–193. Kluwer Academic Publishers.

Denny, C., (2002). 'Retreat by Nestle on Ethiopia's \$6m debt', *The Guardian*. Available: <http://www.guardian.co.uk/world/2002/dec/20/marketingandpr.debtrelief> - retrieved on: 1 May 2012.

Diaz, K.V., (2009), 'Global Coffee Industry: pitfalls, successes and future perspectives.' Final Thesis Master of Science in Business Performance Management, Aarhus School of Business.

Dibb, S., Simkin, L., Pride, M.W., Ferrell, O.C., (2005), 'Marketing: Concepts and Strategies', Houghton Mifflin, 5th European edition, pp 850.

Docklab.com, (2011). 'Bottled Life Nestles Business with Water.' Available" <http://www.doklab.com/projects/detail.php?lang=en&id=9> – retrieved on: 1 May 2012.

EU Commission (2001), 'Promoting a European Framework for Corporate Social Responsibilities.' COM (2001) 366 final, Brussels.

Environmental Protection Agency (2012). 'National Top 50'. Available: <http://www.epa.gov/greenpower/toplists/top50.htm> - retrieved on: 26 March 2012.

European Commission (2008a): European Economic Recovery Plan, COM (2008) 800 final. Available: <http://ec.europa.eu/growthandjobs/pdf/european-dimension-200812-annual-progress-report/200812-annual-report-en.pdf> - retrieved on: 2 February 2012.

European Commission (2008b): Accompanying document to the Communication from the Commission on the European Competitiveness Report 2008. Commission staff working document, COM(2008) 774 final. Available: <http://ec.europa.eu/enterprise/enterprise-policy/competitiveness/1-eucompetrep/eu-compet-reports.htm> - retrieved on: 2 February 2012.

European Commission (2008c): Communication from the Commission on the European Competitiveness Report 2008. SEC (2008) 2853. Available: [http://ec.europa.eu/enterprise/enterprise\\_policy/competitiveness/doc/compet-rep-2008/com-2008-0774.pdf](http://ec.europa.eu/enterprise/enterprise_policy/competitiveness/doc/compet-rep-2008/com-2008-0774.pdf) - retrieved on: 2 February 2012.

Ellerup, N., Thomsen, C., (2007), 'Reporting CSR- what and how to say it?', *Corporate Communications: An International Journal*, Vol.12, No.1, pp.25-40.

Fairtrade Foundation (2012). 'The Fairtrade Mark.' Available: [http://www.fairtrade.org.uk/what\\_is\\_fairtrade/fairtrade\\_certification\\_and\\_the\\_fairtrade\\_mark/the\\_fairtrade\\_mark.aspx](http://www.fairtrade.org.uk/what_is_fairtrade/fairtrade_certification_and_the_fairtrade_mark/the_fairtrade_mark.aspx) - retrieved on: 15 May 2012.

Fox, H., (2010, 9 June). 'Coffee companies fined millions for price-fixing.' *Deutsche Welle*. Available: <http://www.dw.de/dw/article/0,,5666341,00.html> – retrieved on: 4 May 2012.

Fraser, S., (2008). 'Corporate Responsibility: A review of international management research from 1998 to 2007.' *Journal of International Management* 14 (4) pp. 319-339.

Friedman, M. (1962), 'Capitalism and Freedom', University of Chicago Press, Chicago, IL.

- Friedman, M., (1962), 'The social responsibility of business is to increase its profits', *New York Times*, September, pp.126.
- Frederick, W.C. (1960), 'The growing concern over social responsibility', *California Management Review* 2 (2) pp. 54–61.
- Frederick, W.C. (1978), 'From CSR1 to CSR2: the maturing of business and society thought', Working Paper 279, Graduate School of Business, University of Pittsburgh.
- Frederick, W.C. (2006), 'Corporation, Be Good! The Story of Corporate Social Responsibility.' Indianapolis, IN: Dogear Publishing.
- Frederick, W.C. (2008), 'Corporate social responsibility: deep roots, flourishing growth, promising future', In Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (eds), *The Oxford Handbook of Corporate Social Responsibility*. Oxford: Oxford University Press, pp. 522–531.
- Garone, S. J.(1999), 'The Link Between Corporate Citizenship and Financial Performance', The Conference Board Report, 1234-99-RR.
- Global 500, (2011). 'Our annual ranking of the world's largest corporations.' Available: <http://money.cnn.com/magazines/fortune/global500/2011/performers/companies/profits/> - retrieved on: 1 May 2012.
- Global Reporting Initiative (2012). 'Reporting Framework Overview.' Available: <https://www.globalreporting.org/reporting/reporting-framework-overview/Pages/default.aspx> - retrieved on: 20 May 2012.
- Griffiths, P. (2011) 'Ethical objections to Fairtrade.' *Journal of Business Ethics* (DOI) 10.1007/s10551-011-0972-0 Available: [www.springerlink.com](http://www.springerlink.com) - retrieved on: 15 May 2012.
- Hamel, J., Dufour, S., Fortin, D., (1993), 'Case Study Methods.' Newbury Park, CA: Sage Publications.
- Hayek, F.A. (1969), 'The corporation in a democratic society: in whose interest ought it and will it be run?' In Ansoff, H. (ed.), *Business Strategy*. Harmondsworth: Penguin Books, pp. 225.
- Hay, R., Gray, E. (1974), 'Social responsibilities of business managers.' *Academy of Management Journal*, March, pp. 135–143.
- Hill, W.L.C., Jones, R.G., (2008), 'Strategic Management, An Integrated Approach', 8th edition, Houghton Mifflin.

Holcomb J. L., Upchurch R. S., Okumus F. (2007), 'Corporate social responsibility: What are top hotel companies reporting?' *Contemporary Hospitality Management* 19 (6) pp. 461-475.

Hosenfeld, C., (1984), 'Case studies of ninth grade readers', In J.C. Alderson and A.H. Urquhart (Eds.), *Reading in a Foreign Language*. London: Longman.

IBFAN, (2006). 'A survey of measures taken by governments to implement the provisions of the International Code of Marketing of Breast-milk substitutes.' Available: <http://www.ibfan.org/art/298-11.pdf> - retrieved on: 1 May 2012.

Illy (2012).

- a. 'Illy in Brief – A Heritage of innovation.' Available: <http://www.illy.com/wps/wcm/connect/en/company/innovation> - retrieved on: 15 May 2012.
- b. 'Illy in Brief - The Company.' Available: <http://www.illy.com/wps/wcm/connect/en/company/the-company> - retrieved on: 15 May 2012.
- c. 'Illy in Brief- The Ernesto Illy foundation.' Available: <http://www.illy.com/wps/wcm/connect/en/company/ernesto-illy-foundation> - retrieved on: 15 May 2012.
- d. 'Illy in Brief - Università del caffè.' Available: <http://www.illy.com/wps/wcm/connect/en/company/universita-del-caffe> - retrieved on: 15 May 2012.
- e. 'Sustainability- Quality and Sustainability.' Available: <http://www.illy.com/wps/wcm/connect/en/company/quality-sustainability-illycaffe> - retrieved on: 15 May 2012.
- f. 'Sustainability- Supporting the World's Coffee growing Communities.' Available: <http://www.illy.com/wps/wcm/connect/en/company/supporting-growth-community>. retrieved on: 15 May 2012.

ILRF, (2006). 'On Halloween, Nestle Claims no Responsibility on Child Labor', Available: [http://www.laborrights.org/stop-child-labor/cocoa\\_campaign/news/10993](http://www.laborrights.org/stop-child-labor/cocoa_campaign/news/10993) - retrieved on: 1 May 2012.

International Organization for Standardization (2012). 'Management and Leadership standards.' Available: [http://www.iso.org/iso/iso\\_catalogue/management\\_and\\_leadership\\_standards.htm](http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards.htm) - retrieved on: 11 May 2012.

International Organization for Standardization (2012). 'ISO 9000- Quality Management' Available: [http://www.iso.org/iso/iso\\_catalogue/management\\_and\\_leadership\\_standards/quality\\_management.htm](http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/quality_management.htm) - retrieved on: 11 May 2012.

International Organization for Standardization (2012). 'ISO 9001 certifications top one million mark, food safety and information security continue meteoric increase'

Available: <http://www.iso.org/iso/pressrelease.htm?refid=Ref1363> - retrieved on: 11 May 2012.

Jones, B., Bowd, R., Tench, R., (2009), 'Corporate irresponsibility and corporate social responsibility: competing realities.' *Social Responsibility Journal*, 5 (3) pp.300 - 310.

Klein, N. (2001). 'No Logo: Taking at the Brand Bullies.' Harber Collins, Sydney.

Kulick, T., (1999), 'The Expanding Parameters of Global Corporate Citizenship.' *The Conference Board Report*, R-1246-99-CH.

Lavazza (2012).

- a. 'Corporate.' Available: <http://www.lavazza.com/corporate/en/> - retrieved on: 9 May 2012.
- b. 'Corporate-Company-History.' Available: <http://www.lavazza.com/corporate/en/company/history/> - retrieved on: 9 May 2012.
- c. 'Corporate-Coffee Culture.' Available: <http://www.lavazza.com/corporate/en/coffeculture/> - retrieved on: 9 May 2012.
- d. 'Corporate-Company-Numbers.' Available: <http://www.lavazza.com/corporate/en/company/numbers/> - retrieved on: 9 May 2012.
- e. '2009 Annual Report: Lavazza unaffected by crisis.' Available: [http://www.lavazza.com/export/download/lavazza\\_pressrelease/EN/PR\\_bilancio\\_2009\\_Lavazza.pdf](http://www.lavazza.com/export/download/lavazza_pressrelease/EN/PR_bilancio_2009_Lavazza.pdf) - retrieved on: 9 May 2012.
- f. 'Company Profile.' Available: [http://www.lavazza.com/export/sites/www.lavazza.com/au/pressarea/press\\_kit.pdf](http://www.lavazza.com/export/sites/www.lavazza.com/au/pressarea/press_kit.pdf) - retrieved on: 9 May 2012.
- g. 'Company- Social Responsibility' Available: <http://www.lavazza.com/corporate/en/company/socialresponsibility/> - retrieved on 10 May 2012.
- h. 'Company- Social Responsibility- Partners.' Available: [http://www.lavazza.com/corporate/en/company/socialresponsibility/tierra1/II\\_progetto/Partner](http://www.lavazza.com/corporate/en/company/socialresponsibility/tierra1/II_progetto/Partner) -retrieved on 10 May 2012.
- i. 'Code of Conduct.' Available: [http://www.lavazza.com/export/download/code\\_of\\_conduct.pdf](http://www.lavazza.com/export/download/code_of_conduct.pdf) - retrieved on: 10 May 2012.
- j. 'Corporate- Company- Social Responsibility.' Available: [http://www.lavazza.com/corporate/en/company/socialresponsibility/Un\\_a\\_zianda\\_responsabile/](http://www.lavazza.com/corporate/en/company/socialresponsibility/Un_a_zianda_responsabile/) - retrieved on: 10 May 2012.

- k. 'Company- Training Center.' Available: [http://www.lavazza.com/corporate/gr/company/trainingcenter/Training\\_Center.html](http://www.lavazza.com/corporate/gr/company/trainingcenter/Training_Center.html) - retrieved on: 10 May 2012.
- l. 'Anyone for tennis? Lavazza gives Wimbledon an Italian flavor with three year partnership deal.' Available: [http://www.lavazza.com/export/download/lavazza\\_pressrelease/EN/PR\\_Wimbledon.pdf](http://www.lavazza.com/export/download/lavazza_pressrelease/EN/PR_Wimbledon.pdf) - retrieved on: 10 May 2012.
- m. 'Lavazza announces new manufacturing facility in India.' Available: [http://www.lavazza.com/corporate/en/news/Stabilimento\\_India.html](http://www.lavazza.com/corporate/en/news/Stabilimento_India.html) - retrieved on: 9 May 2012.

Lee, M.P. (2008), 'A review of the theories of corporate social responsibility: its evolutionary path and the road ahead.' *International Journal of Management Reviews*, 10 (1) pp. 53–73.

Levitt, T. (1958), 'The dangers of social responsibility.' *Harvard Business Review*, September–October, pp. 41–50.

Lorraine, V., Flynn, B., (2011), 'The great drain robbery'. *The Sun Newspaper*. Available: <http://www.thesun.co.uk/sol/homepage/news/article1771553.ece> - retrieved on: 2 May 2012.

Martinuzzi, A., (2011), 'Responsible Competitiveness - Linking CSR and Competitive Advantage in three European Industrial Sectors.' *Zeitschrift für Umweltpolitik & Umweltrecht* (3). pp. 297-337, ISSN 0931-0983.

Matthew, A. (2011). 'Baby milk "Nespresso" machine draws fire.' Available: [http://www.swissinfo.ch/eng/business/Baby\\_milk\\_Nespresso\\_machine\\_draws\\_fire.html?cid=30384120](http://www.swissinfo.ch/eng/business/Baby_milk_Nespresso_machine_draws_fire.html?cid=30384120) –retrieved on: 1 May 2012.

McDonough, J., McDonough, S., (1997), 'Research Methods for English Language Teachers.', London: Arnold.

McNeil, R., (2002, 22 August), 'Planners take on Starbucks', *Evening Standard*. Available: <http://www.thisislondon.co.uk/news/article-1261942-details/Planners+take+on+Starbucks/article.do> - retrieved on: 29 April 2012.

Misani, N., (2010), 'The convergence of corporate social responsibility practices.' *Management Research Review* 33 (7), pp.734-748.

Moon, J. (2005), 'An explicit model of business–society relations', In Habisch, A., Jonker, J., Wegner, M. and Schmid-peter, R. (eds), *Corporate Social Responsibility Across Europe*, Berlin: Springer, pp. 51–65.

Moore, N., (2000), 'How to do research.' London: Library Association Publishing, 3<sup>rd</sup> edition.

Murray, E.A., Jr , (1976), 'The social response process in commercial banks: an empirical investigation.' *Academy of Management Review*, July.

McGuire, J., (1963), '*Business and Society*.' New York: McGraw-Hill.

Murphy, P.E. (1978), '*An evolution: corporate social responsiveness*.' *University of Michigan Business Review*, November, pp. 20–22.

Nestle (2012). '*Infant and young children nutrition policies and programs*.' Available: <http://www.babymilk.nestle.com/Pages/welcome.aspx> - retrieved on: 1 May 2012

Nestle (2012). 'Code of Business.' Available: [http://www.nestle.com/Common/NestleDocuments/Documents/Library/Documents/Corporate Governance/Code of Business Conduct EN.pdf](http://www.nestle.com/Common/NestleDocuments/Documents/Library/Documents/Corporate%20Governance/Code%20of%20Business%20Conduct%20EN.pdf) - retrieved on: 16 March 2012

Nespresso (2012).

- a. '*About us*.' Available: <http://www.nestle-nespresso.com/about-us/business-principles> - retrieved on: 15 March 2012.
- b. '*Ecolaboration*.' Available: <http://www.nespresso.com/ecolaboration/at/en/themes/8/1/coffee.html> - retrieved on: 15 March 2012.
- c. '*Coffee Sourcing – The Nespresso AAA Sustainable Quality Program*.' Available: <http://www.nestle-nespresso.com/ecolaboration/sustainability/coffee> - retrieved on: 14 March 2012.
- d. '*Creating Shared Value*.' Available: <http://www.nestle-nespresso.com/ecolaboration/creating-shared-value> - retrieved on: 15 March 2012.
- e. '*Nespresso Ecolaboration ambassador inspires young people to preserve nature*.' Available: <http://www.nestle-nespresso.com/newsandfeatures/nespresso-ecolaborationtm-ambassador-inspires-young-people-to-preserve-nature> - retrieved on: 15 March 2012.
- f. '*Partnerships*.' Available: <http://www.nestle-nespresso.com/ecolaboration/partnerships/partnerships> - retrieved on: 15 March 2012.

O'Brien, D., (2001), '*Integrating Corporate Social Responsibility with Competitive Strategy*', 2001 Winner 'Best MBA Paper in Corporate Citizenship', The Center for Corporate Citizenship at Boston College.

Palmer, D. (2008, 31 July). 'Starbucks: What went wrong?.' *Australian Food News*. Available: <http://www.ausfoodnews.com.au/2008/07/31/starbucks-what-went-wrong.html> - retrieved on: 29 April 2012.

Porter, M. E., (1990), 'The Competitive Advantage of Nations', *Harvard Business Review* 68 (2), March- April.

Porter, M.E. (1991), 'Towards a dynamic theory of strategy.' *Strategic Management Journal*, 12 (2) pp.95-117.

Porter, M.E. (1996), 'What is strategy?.' *Harvard Business Review*, 74 (6), pp.61-78.

Porter, M.E., Kramer, M.R. (2006), 'Strategy and society: the link between competitive advantage and corporate social responsibility.' *Harvard Business Review*, 84 (12) pp.78-92.

Porter, M.E. (2008), 'The Five Competitive Forces That Shape Strategy.' *Harvard Business Review*, 86 (1) pp.78-93.

Prahalad, C.K, Hamel, G., (1990), 'The Core Competence of the Corporation.' *Harvard Business Review*, 68 (3), pp. 79-87.

OECOTEXTILES (2010). 'Organic Cotton Fraud?' Available: <http://oecotextiles.wordpress.com/tag/tchibo/> - retrieved on: 4 May 2012.

Quaak L., Aalbers T. and Goedee J. (2007), 'Transparency of Corporate Social Responsibility in Dutch Breweries.', *Journal of Business Ethics* 77 pp. 293-308. Available: <http://www.springerlink.com/content/a1u3513682172262/fulltext.pdf> -retrieved on 19 May 2012.

Quantis (2011). 'Comparative full life cycle assessment of B2C capsules.' Available: [http://www.nespresso.com/ecolaboration//medias\\_dyn/articles/83/article/attachment-2.pdf](http://www.nespresso.com/ecolaboration//medias_dyn/articles/83/article/attachment-2.pdf) - retrieved on: 15 March 2012.

Raghavan, S., Chatterjee, S., (2001), 'Slaves feed world's taste for chocolate: Captives common in cocoa farms in Africa', *Milwaukee Journal Sentinel*, Available: <http://www.jsonline.com/general/43488212.html> - retrieved on: 1 May 2012.

Raghubir P., Roberts J.,Lemon K.N., Winer R.S. (2010), 'Why, when and how should the effect of marketing be measured? A stakeholder perspective for corporate social responsibility metrics.', *Journal of Public Policy and Marketing*, 29 (1), pp. 66-77.

Raynolds, L. T. (2009). 'Mainstreaming Fair Trade Coffee: from Partnership to Traceability.' *World Development* 37 (6) pp.1083-1093. p. 1089).

Reich, R.B., (1998), 'The New Meaning of Corporate Social Responsibility', *California Management Review*, 40 (2), pp. 8-17.

Roman, R. M.(1999), 'The Relationship Between Social and Financial Performance.' *Business and Society*, 38 (1), pp. 109-126.

Persson, L. (2008). 'Ethics and Environment in the Coffee Sector – Linking CSR to the Consumer's Power in the Context of Sustainable Development.' Available: <http://bern.library.nenu.edu.cn/upload/soft/0-article/++++++0/063.pdf> - retrieved on: 10 May 2012.

Save the Children, (2007). 'A Generation on: Baby milk marketing still putting children's lives at risk.' Available: [http://www.savethechildren.org.uk/downloads/a\\_generation\\_on.pdf](http://www.savethechildren.org.uk/downloads/a_generation_on.pdf) - retrieved on: 1 May 2012.

Seddon J. (2000, 19 November). 'The "quality" you can't feel.' *The Observer*. Available: <http://www.guardian.co.uk/money/2000/nov/19/workandcareers.madeleinebunting> - retrieved on: 11 May 2012.

Sethi, S.P. (1975), 'Dimensions of corporate social performance: an analytic framework.' *California Management Review*, Spring, pp. 58–64.

Schweizer Fernsehen (2012, 23 January). 'Bottled Life wirft Licht auf Nestles Geschäft mit dem Wasser.' Available: <http://www.tagesschau.sf.tv/Nachrichten/Archiv/2012/01/23/Kultur/Bottled-Life-wirft-Licht-auf-Nestles-Geschaeft-mit-dem-Wasser> - retrieved on: 1 May 2012.

Silverman, D., (1997), 'Qualitative Research.' London: Sage Publications.

Stanwick, P. A., (1998), 'The Relationship Between Corporate Social Performance and Organizational Size, Financial Performance, and Environmental Performance: An Empirical Examination.' *Journal of Business Ethics*, Vol. 17:2, pp. 195-205.

Swedish Society for Nature Conservation, (2006). 'Gifter i Kaffeodling' Available: <http://www.snf.se/verksamhet/internationellt/kaffe-gifter.htm> -retrieved on: 17 march 2012.

Swedish Society for Nature Conservation, (2006). 'Andra gifter i kaffeodling' Available: <http://www.snf.se/verksamhet/internationellt/kaffe-fler-gifter.htm> - retrieved on: 17 March 2012.

Starbucks (2012).

- a. 'Coffee.' Available: <http://www.starbucks.com/coffee> - retrieved on: 25 March 2012.

- b. 'Responsibility.' Available: <http://www.starbucks.com/responsibility> - retrieved on: 25 March 2012.
- c. 'Responsibility- Community.' Available: <http://www.starbucks.com/responsibility/community> - retrieved on: 25 March 2012.
- d. 'Annual Reports' Available: <http://investor.starbucks.com/phoenix.zhtml?c=99518&p=irol-reportsAnnual> - retrieved on: 25 March 2012.
- e. 'Responsibility-Environment.' Available: <http://www.starbucks.com/responsibility/environment> - retrieved on: 25 March 2012.
- f. 'Responsibility-Environment-Recycling.' Available: <http://www.starbucks.com/responsibility/environment/recycling> - retrieved on: 25 March 2012.
- g. 'Responsibility-Environment-Energy.' Available: <http://www.starbucks.com/responsibility/environment/energy> - retrieved on: 25 March 2012.
- h. 'Responsibility-Diversity-Suppliers.' Available: <http://www.starbucks.com/responsibility/diversity/suppliers> - retrieved on: 25 March 2012.
- i. 'Responsibility-Community-Starbucks Foundation.' Available: <http://www.starbucks.com/responsibility/community/starbucks-foundation> - retrieved on: 25 March 2012.
- j. 'Responsibility-Sourcing.' Available: <http://www.starbucks.com/responsibility/sourcing> - retrieved on: 25 March 2012.
- k. 'Responsibility-Sourcing-Coffee.' Available: <http://www.starbucks.com/responsibility/sourcing/coffee> - retrieved on: 25 March 2012.
- l. 'Responsibility-Global Responsibility Report.' Available: <http://www.starbucks.com/responsibility/global-report> - retrieved on: 25 March 2012.
- m. 'Responsibility-Global Responsibility Report-Ethical Sourcing.' Available: <http://www.starbucks.com/responsibility/global-report/ethical-sourcing> - retrieved on: 25 March 2012.
- n. 'Starbucks Company's Recognition.' Available: <http://assets.starbucks.com/assets/aboutusrecognition72811final.pdf> - retrieved on: 27 March 2012.

Stephens, A., Prynne, J., (2008, 28 February), 'Starbucks faces eviction as wrong kind of shop.' *Evening Standard*. Available: <http://www.thisislondon.co.uk/news/starbucks-faces-eviction-as-wrong-kind-of-shop-6663323.html> - retrieved on: 29 April 2012.

Systems Thinking (2012). 'A brief History of ISO 9000: Where did we go wrong?' Available: <http://www.systemsthinking.co.uk/3-1-article.asp> - retrieved on: 11 May 2012.

Tchibo (2012).

- a. '*Diversity and quality with strong brands.*' Available: <http://www.tchibo.com/content/309604/-/en/tchibo-corporate/about-tchibo.html> - retrieved on: 5 May 2012.
- b. '*Code of Conduct.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/cb/648690/data/-/Codeofconduct.pdf> - retrieved on: 7 May 2012.
- c. '*Commitment to a sustainable future.*' Available: <http://www.tchibo.com/content/312174/-/en/tchibo-corporate/corporate-responsibility.html> - retrieved on: 5 May 2012.
- d. '*Corporate Culture.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/649084/-/en/employee-benefits/corporate-culture.html> - retrieved on: 4 May 2012.
- e. '*Facts and Figures.*' Available: <http://www.tchibo.com/content/309642/-/en/tchibo-corporate/about-tchibo/facts-figures.html> - retrieved on: 5 May 2012.
- f. '*Employee benefits.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/649016/-/en/employee-benefits.html> - retrieved on: 5 May 2012.
- g. '*Employee benefits-Corporate culture.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/649084/-/en/employee-benefits/corporateculture.html;jsessionid=F3FE6EBB25C6BF04BA4C702659993BCE> –retrieved on: 6 May 2012.
- h. '*Environmental Protection.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/648598/-/en/environmental-protection.html> - retrieved on: 6 May 2012.
- i. '*Environmental Protection – Climate Protection.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/648600/-/en/environmental-protection/climate-protection.html> - retrieved on 6 May 2012.
- j. '*Environmental Protection – Climate Protection-Transport.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/648770/-/en/environmental-protection/climate-protection/transport.html> - retrieved on: 6 May 2012.
- k. '*Environmental Protection – Climate Protection-Transport- Energy Consumption.*' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/648772/-/en/environmental->

[protection/climate-protection/energy-consumption.html](#) - retrieved on: 6 May 2012.

- l. 'Environmental Protection – Conserving resources.' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/648610/-/en/environmental-protection/conserving-resources.html> - retrieved on: 6 May 2012.
- m. 'Environmental Protection- Biodiversity.' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/648602/-/en/environmental-protection/biodiversity.html>- retrieved on: 7 May 2012.
- n. 'Environmental Protection – Conserving resources-Water.' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/648630/-/en/environmental-protection/conserving-resources/water.html> - retrieved on: 6 May 2012.
- o. 'Engagement with Society- Promoting education and training.' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/649022/-/en/engagement-with-society/promoting-education-and-traning.html> - retrieved on: 7 May 2012.
- p. 'Engagement with Society- Community Involvement.' Available: <http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/content/649024/-/en/engagement-with-society/community-involvement.html> - retrieved on: 7 May 2012.

Tran, M., (2005). 'Branded.' Available: <http://blogs.guardian.co.uk/businessinsight/archives/2005/09/01/branded.html> - retrieved on: 1 May 2012.

Tullberg, J., (2005), 'What should companies be responsible for?.' *Business Ethics: A European View*, 14 (3), pp.261-3.

Utting, K. (2009). 'Assessing the impact of Fair Trade Coffee: Towards an Integrative Framework.' *Journal of Business Ethics* 86 p.p. 127-149.

van der Ziel, M. B.: 2003, De relevantie van maatschappelijke verslagen (Dissertation, Nyenrode) (found in : Quaak L., Aalbers T. and Goedee J. (2007), 'Transparency of Corporate Social Responsibility in Dutch Breweries.', *Journal of Business Ethics* 77 pp. 293-308. Available: <http://www.springerlink.com/content/a1u3513682172262/fulltext.pdf> -retrieved on 19 May 2012 .

Walker, R., (1985), 'Applied Qualitative Research.' Aldershot: Gower.

Wartick, S.L. and Cochran, P.L. (1985), 'The evolution of the corporate social performance model.' *Academy of Management Review*, 10 pp. 765–766.

- Weinberg B. A. , Bealer B. K., (2001), 'The world of caffeine: the science and culture of the world's most popular drug.' Routledge, pp. 3–4.
- Weitzman, H. (2006, 8 Septemebr). 'Fair' coffee workers paid below minimum wage.' *Financial Times*. Available: <http://www.ft.com/cms/s/2/46cd2578-3f5a-11db-a37c-0000779e2340.html#axzz1vMTqBEQd> - retrieved on: 29 April 2012.
- Weitzman, H. (2006 8 September). 'The bitter cost of 'Fair Trade' coffee.' *Financial Times*. Available: <http://www.ft.com/intl/cms/s/2/d191adbc-3f4d-11db-a37c-0000779e2340.html#axzz1vMTqBEQd> - retrieved on: 29 April 2012.
- Wellandatribute.ca, (2008) 'Judge orders Starbucks to pay more than \$100 million in back tips.' Available: <http://www.wellandtribune.ca/ArticleDisplay.aspx?e=953100> – retrieved on: 29 April 2012.
- Whitbread (2012). 'Costa Coffee's Rainforest Alliance Certification.' Available: <http://www.whitbread.co.uk/content/dam/whitbread/siteimages/responsibility/sourcing/Costa-rainforest-alliance-certification.pdf> - retrieved on: 14 May 2012.
- Whitbread (2012). *Recycling Coffee Cups.*' Available: [http://www.whitbread.co.uk/content/dam/whitbread/micosite\\_CSR/5.3.0%20Environment/2011%20CR%20Case%20Study3%20-%20Costa%20Cup%20Recycling.pdf](http://www.whitbread.co.uk/content/dam/whitbread/micosite_CSR/5.3.0%20Environment/2011%20CR%20Case%20Study3%20-%20Costa%20Cup%20Recycling.pdf) - retrieved on: 14 May 2012.
- Whitbread (2012). 'Whitbread delivers double digit revenue, profit and dividend growth.' Press Release. Available: <http://www.costa-business.co.uk/wp-content/uploads/2011/08/Whitbread-RNS-RESULTS-Apr-2012-2.pdf> - retrieved on: 14 May 2012.
- Wood, D.J., (1991), 'Corporate social performance revisited.' *Academy of Management Review*, October, pp. 691–718.
- WHO, (1981). 'International Code of Marketing Breast-milk substitutes.' Available: [http://www.who.int/nutrition/publications/code\\_english.pdf](http://www.who.int/nutrition/publications/code_english.pdf) - retrieved on: 1 May 2012.
- Yin, R.K., (1984), 'Case Study Research: Design and Methods', Beverly Hills, California: Sage Publications.
- Yin, R., (1994), 'Case study research: Design and methods (2nd ed.)'. Beverly Hills, CA: Sage Publishing.
- Zaidah, Z., (2003), 'An Investigation into the effects of Discipline-Specific Knowledge, Proficiency and Genre on Reading Comprehension and Strategies of Malaysia ESP Students.' Unpublished Ph.D. Thesis. University of Reading.

Zaidah, Z., (2007), 'Case Study as a Research Method', *Journal Kemanusiaan*, Bil.9, pp.1-6.

**Internet Bibliography:**

- <http://www.emeraldinsight.com>
- <http://www.winsite.com/authors/sqaki.com+11+porterfiveforces+/1/> - retrieved on: 15 January 2012.
- <http://www.harbott.com/2011/01/29/porters-five-forces-industry-analysis-for-krispy-kreme/> - retrieved on: 17 March 2012.
- [http://www.top100espresso.com/coffee\\_consumption\\_statistics\\_report.html](http://www.top100espresso.com/coffee_consumption_statistics_report.html) (- retrieved on: 5 December 2011.
- <http://www.exxonmobil.com/Corporate/default.aspx> - retrieved on: 27 March 2012.
- [http://www.exxonmobil.com/Corporate/community\\_foundation.aspx](http://www.exxonmobil.com/Corporate/community_foundation.aspx) - retrieved on: 27 March 2012

