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Master thesis in Sustainable Development 313  
Examensarbete i Hållbar utveckling

Sustainable Community Development  
in the Supply Chains of Swedish  
Multinationals located in Developing  
Countries: A Case Study of the CSR  
Strategy at IKEA & Ericsson AB, using  
the HDI as a benchmark to measure  
progress.

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DEPARTMENT OF  
EARTH SCIENCES

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## Abbreviations and Acronyms

BCI	Better Cotton Initiative
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSR 2	Corporate Social Responsiveness
FEMDEX	India Female Empowerment Index
FY	Full Year
GDP	Gross Domestic Product
GNI	Gross National Income
GRI	Global Reporting Initiative
HDI	Human Development Index
ILO	International Labour Organisation
KPI	Key Performance Indicators
MDG	Millennium Development Goals
NGO	Non-Governmental Organisation
OCHA	UN Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
PPP	People, Planet, Positive
PVC	Polyvinyl Chloride
SCM	Supply Chain Management
SD	Sustainable Development
SDG	Sustainable Development Goals
SEK	Swedish Kroner
SIDA	Swedish international Development Agency
TPR	Total Poverty Rate
UN	United Nations
UNDP	United Nations Development Program
UNHCR	UN High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
UP	Uttar Pradesh
WEF	World Economic Forum
WFP	World Food Program
WWF	World Wildlife Fund



# Sustainable Community Development in the Supply Chains of Swedish Multinationals located in Developing Countries: A Case Study of the CSR Strategy at IKEA & Ericsson AB, using the HDI as a benchmark to measure progress.

IRSHAAD WADVALLA

Wadvalla, I. 2016: Sustainable Community Development in the Supply Chains of Swedish Multinationals located in Developing Countries: A Case Study of the CSR Strategy at IKEA & Ericsson AB, using the HDI as a benchmark to measure progress. *Master thesis in Sustainable Development at Uppsala University* 66 pp, 30 ECTS/hp

## **Abstract**

This thesis is based on a case study approach investigating the impact of the Corporate Social Responsibility (CSR) strategies on community development in corporate supply chains that are located in developing countries. The cases chosen for the in-depth analysis are two notable Swedish multinationals, Ericsson, and IKEA. These cases were not fully comparable due to the imbalance in the available data. The study employed the Brundtland definition of sustainable development, under the broader theoretical framework of stakeholder theory. The impact of the two CSR strategies were measured against the eight variables of the Human Development Index (HDI), centred on the proposition that positive progress on these would be an enabler for accomplishing the objectives of the sustainable development goals (SDG's). In the case of IKEA, using both semi-structured interviews and empirical data, it was premised that the partnership between IKEA and Rangsutra, as part of the CSR strategy titled, "People Planet Positive 2020" is delivering meaningful change in line with the suggested benchmark of the HDI/SDG. In the case of Ericsson, it was not possible to determine what change has been effected due to the lack of primary and secondary information, though they are helping to develop communities through certain pilot programs in association with other actors. It was further determined that there is a lack of source material available, and additional studies are required to evaluate the extent of empowerment that CSR programs in global Swedish enterprises generate in communities that are part of their supply network.

**Keywords:** Community Development, Corporate Social Responsibility, Ericsson, Human Development Index, IKEA, Sustainable Development, Sweden.

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## Scientific Summary:

Sustainable development according to the Brundtland definition highlighted the fulfilment of the needs of the world's poor, as one of the key components of ensuring what is available today will be in supply in the future. By utilising this definition, the study attempted to measure whether that definition is being met by the Corporate Social Responsibility practices of two global Swedish enterprises. The rationale for this draws inspiration from the "Scandinavian way" which has been described by some academics (Frostenson, 2014) as the key driver in the promotion of trade, which Scandinavian countries use when competing on the international market. Based on this assumption and the high level of development that characterise Sweden in general, it was important to measure whether there is any transfer of this development into the supply chains, using the Human Development Index as a benchmark.

These indices are a globally accepted tool with which to assess human development, and were therefore applied in this case, to appraise whether trading with Sweden was actually making a difference in people's lives.

In one case, the study was able to determine a positive outcome, which has significantly impacted on the lives of the people involved with it. There has been measurable change and the impact of this well executed strategy has demonstrated that a stakeholder approach to CSR, is mutually beneficial.

**Keywords:** Community Development, Corporate Social Responsibility, Ericsson, Human Development Index, IKEA, Sustainable Development, Sweden.

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# 1. Introduction

Sustainable development and Corporate Social Responsibility are analysed within the framework of commercial interaction between suppliers located in developing countries and firms headquartered in Sweden. There is however a lack of information relating to how this interaction manifests itself.

## 1.1 Problem Formulation

Corporate Social Responsibility (CSR) programs in Swedish firms have officially been ratified since 2002, when the “Global Ansvar” (Global Responsibility) program was initiated by the Swedish Foreign Ministry. It was an edict which provided guidelines on how Swedish companies should conduct their business operations in a global context. This was an adjunct to the United Nations (UN) Global Compact, which provided a set of principles that are meant to provide the foundation of responsible corporate behaviour. Since the ongoing adoption of these principles and more recently, a greater drive by companies to associate their Corporate Social Responsibility (CSR) programs with the objectives of the 17 Sustainable Development goals, it has become necessary to assess whether CSR programs are in fact contributing to development in local communities that form part of global supply chains in line with the definition of Sustainable Development, as proposed by the Brundtland commission. The motivation behind this study is factored on the concept of stakeholder relationships and if collaboration through trade can spur development, when the implied incentive for trade with Sweden, is development aligned to the Scandinavian way (Frostenson 2014).

## 1.2 Research Question and Purpose

The key question of this study is to answer whether community development is taking place in the supply chains of Swedish enterprises that are located in developing countries. The reflection would like to examine these Corporate Social Responsibility (CSR) strategies, their motivation, and the actual impacts on communities, in order to establish if they are contributing to sustainable development in line with the Human Development Index (HDI) and Sustainable Development Goals (SDG's). Whilst customers and the societies in which they are located form one part of this paradigm, the communities in which the suppliers and their families are located, can offer a differing perspective on the impacts of this relationship. To evaluate this, the research project has decided to explore if any benefits accrue to small and medium enterprises (SMME's) located in developing countries that are suppliers to Swedish corporations.

## 1.3 Outline

The outline of the study is the following: Chapter 1 provides an overview into the problem formulation and overall purpose of this thesis. Chapter 2 deals with the research design adopted for this choice and some of the limitations which defined the parameters of the study. Chapter 3 focuses on the theoretical background and discusses the competing definitions of sustainable development and corporate social responsibility in the literature review concerning CSR, sustainable development, and the contextual structure of these terms within the Swedish perspective is presented as it provides the requisite background to this study. It also where the HDI and SDG's are laid out in detail as they are the benchmark against which progress is measured. Chapter 4 deals with the case studies selected, whilst chapter 5 contains the results of the study in detail measured against the

indicators of the benchmark. Chapters 6 and 7 discuss the outcome of the study and conclude with recommendations for future research regarding this subject.

## 1.4 Aim

The aims of my study combined with the identified research problem and knowledge of corporate systems and processes motivate the selection of the theoretical framework and appropriate research methodology. These combined with the courses taken at Uppsala University as part of the Master's program, suggested that a comparative case study approach is most suitable for the nature of my thesis. As I elaborate below, the theoretical framework adopted here is that of Stakeholder theory.

This thesis would like to evaluate whether Corporate Social Responsibility (CSR) in the supply chains of Swedish multinationals that are located in developing countries, is facilitating community development in a sustainable way, congruent with the definition of the Brundtland commission. The investigation is conducted through a case study analysis of two recognisable Swedish corporations, IKEA and Ericsson, by using the Human Development Index (HDI) and Sustainable Development Goals (SDG's) as benchmarks against which the impacts are measured. This is done as a part of a critical review of the published CSR strategy and its implementation against actual outcomes. The methodological strategy used in this paper is qualitative where I combine primary and secondary data sources. What is more, this study is filling a discernible gap in the existing CSR literature by a critical assessment of CSR programs in supply chains of Swedish firms and whether such programs contribute to sustainable development in the value chain.

In other words, this study strives to develop a holistic overview of these strategies and their implementation in relation to empowerment. Depending on the study's results, the outcomes ought to indicate whether such mechanisms are to be adjusted to offer better solutions or if they reflect the stated goals.

For instance, whilst the annual reports and websites of companies like Ericsson, have dedicated sections relating to CSR, there is insufficient data regarding the shared value concept that it is supposed to create. The two case studies were selected based on their global influence. In terms of reach, Ericsson is a listed company and world leader in telephony infrastructure, with offices in 109 countries and 40% of global telecom traffic passing through its network infrastructure. IKEA is a privately owned, global home furnishing entity, which has 384 stores in 48 countries. As case studies, they provide good examples due to their distinct ownership structures and defining brand recognition as Swedish enterprises. Due to the unavailability of equally representative information, the study does not make any assumptions of conducting a point to point comparison, but rather a complementary account of the community development initiatives of each firm as representatives of Swedish business.

## 2. Method

When assessing the options, it was decided that a qualitative case study methodology would best fulfil the requirements of this research. This chapter offers an insight into this methodology and the different components which it comprises of.

### 2.1 Research design

A qualitative case study methodology was adopted primarily from the works by Yin (2003) and previously by Stake (1995). What is more, a case study approach offers a constructivist research design benefiting this study both in terms of effective structuring, selection and approaching the empirical material (see also Jack and Baxter, 2008). For example, the selected interviewees in the study have been approached with this in mind:

Through these stories the participants are able to describe their views of reality and this enables the researcher to better understand the participants' actions (Lather, 1992; Robottom & Hart, 1993) (*Ibid*, 544).

Furthermore, “constructivism is built upon the social construction of reality”, which is the main premise upon which this study is assembled. In this case it means, in part, to improve our understanding of the impact of corporate social responsibility policies and their contribution on none thereof to sustainability. This is done in the context of communities in a developing country that are working with multinationals from Sweden, in order to perceive how the various elements of engagement are manifested.

The incomplete comparative nature of this case study approach is primarily owing to the unbalanced access to first-hand empirical material in the two cases (IKEA being the more accessible case). This has been attributed to the limited amount of information available from Ericsson and IKEA and the non-existence of such material to a greater extent in the case of the former, as indicated by senior executives at the same firm and a complete lack of interest by the vice president of sustainability, to offer any feedback or opinion on their CSR program. Nevertheless, this is partly curtailed by considering the relevant United Nation Development Program (UNDP) definitions as benchmarks of community development, with which to compare and analyse the outcome of the CSR and sustainability programs. It is also worth remarking, that the geographical constraints of accessing the communities in question to obtain observational and quantitative data related to the direct consequences of CSR policies, is a noteworthy limitation to the impact of this study.

### 2.2 Case Study Research Design

A case study approach was chosen as it offers a suitable way to answer the how and why questions, especially when the researcher has little influence over the outcome of the study, and the topic is of contemporary importance (Yin, 2003). As case studies intersect the various social science disciplines including sociology, psychology, community planning and even economics, it remains a very useful strategy to understand “complex social phenomena”. (*Ibid*, 2). This is supported by the assertion that a:

Case study method allows investigators to retain the holistic and meaningful characteristics of real life events – such as individual life cycles, organisational and managerial processes, neighbourhood change, international relations, and the maturation of industries (*Ibid*, 3).

In this case, the elements mentioned above each play a defining role in understanding the dynamics and influences of CSR strategies and their manifestation in the supply chain.

The initial design was premised on a multiple case model, on the basis that the outcomes of two Swedish corporates CSR policies could be presented in the quest to identify how they were contributing to community development, and if any commonalities existed which demarcated their Swedish heritage, or if it was just a consequence of good corporate behaviour. As this proved impervious due to the lack of access to primary empirical data and the non-availability of secondary research related to the topic, a comparison using one defined unit of analysis was eliminated, and instead a single holistic case study (or rather a unbalanced comparative case study) using a descriptive and intrinsic outline was selected (Yin, *Case study research: Design and methods*, 2003). The former because of the study wanting to “describe an intervention or phenomenon and the real-life context in which it occurred” (Jack and Baxter, 2008), and the latter because of the need to generate an interest for further research, that explored the social, economic, and environmental impacts on small and medium suppliers located within the supply chains of global Swedish industries. This is important for furthering insight in to the contribution of Swedish businesses to development through responsible practice or lack thereof. I have included Ericsson which is centred on my initial research of their efforts to contribute to community development in a meaningful way. However, since the lack of primary and secondary empirical information was constraining, I hope to further this study at a later stage.

The key components of a case study design proposed by Yin (2003,21) are:

- I. A study’s questions.
- II. Its propositions, if any
- III. Its unit(s) of analysis
- IV. The logic linking the data to the propositions,
- V. The criteria for interpreting the findings.

These were selected as the parameters covered encompass the structure of this investigation. The methods nominated for analysing the data are based on the recommendations proposed by Yin (2003), suggesting that five types could be employed. These are “pattern matching, linking data to propositions, explanation building, time-series analysis, logic models, and cross-case synthesis” (*Ibid*, 34). As this is a single case holistic study, the suggested approach was to link the empirical data to the propositions and incorporate explanation building into it.

### 2.2.1 Its propositions

If CSR is shown to be working according to the Swedish model, the empirical data received from the study will correlate with the accepted norms of the Human Development Index, suggesting that community development is taking place. This proposition is supported by the high level of community wellbeing in Sweden, therefore a roll out of this same outlook utilising a stakeholder approach, should ensure these conditions are replicated or at least induced.

### 2.2.2 Units of analysis

The unit of analysis is the corporate social responsibility strategies of global Swedish enterprises and the policies surrounding their implementation in the supply chain.

### 2.2.3 The logic linking the data to the propositions

I will use proxy and direct empirical findings, and explanation building, in order to arrive at conclusions regarding the success or failure of these programs. This will be accomplished by offering comparisons between the assertions of the CSR plan and the

actual outcomes, in order to detect whether the elements of sustainable development can be identified.

#### 2.2.4 Criteria for Interpreting the Findings

Data was gathered using a variety of sources in an attempt to triangulate, thereby supporting the integrity of the empirical information collected. This was done by conducting interviews, reading company reports, reviewing secondary literature, and using online sources (e.g. newspapers and other media outlets etc.). Triangulation in this case has meant to diversify the relevant material and therefore make sure that the empirical data is as wide and accurate as possible. Furthermore, secondary sources help to identify gaps in the empirical research, hence providing guidelines on to where to look for improved sustainable corporate practices. In order to establish clear theoretical guidelines regarding the inclusion of the appropriate theories which are prevalent in interpreting CSR, the search parameters included the word sustainable development. This was then combined with the search parameters of “CSR in Swedish Supply chains” to develop the outcomes further, and assess what studies have been done in this field. The information derived from these searches were further refined to exclude any popular media as my focus was specifically on using information that was derived from academic studies in this area. This therefore included all scientific journals of which, the management sciences featured quite prominently. These searches yielded four dominant theories, which are utilitarian, managerial, relational and stakeholder. It was ascertained after perusing through all the acquired literature, that the dominant theories which guide the CSR discussion are the aforementioned. The most cited papers were then assessed and the authors works reviewed based on their relevance to a global business setting. It was imperative that any data acquired withstood scientific integrity or if published in an online magazine, was from a respected source. Once the examples were established, they were cross referenced on the internet to gain as much information as possible about them, which was compared to what was made available by IKEA and Ericsson. The interviews were conducted with key decision makers, so that information acquired would have been most accurate.

#### 2.2.5 Supplier Criteria

The criteria for the study sample were defined by the following parameters;

1. The company in the supply chain had to be in a developing country.
2. A small, medium, or social enterprise.
3. Conducting business with Ericsson or IKEA for at least four years.
4. Have 10 or more employees.
5. In small to medium communities as opposed to larger cities.
6. Suppliers that have increased their % share of supply by at least 7 - 10% per annum over this period.

The reason I have chosen this %, is based on the average economic growth in the emerging and developing Asia region countries over the last 5 years, which has been between 6,82 and 9,8% (Gfmag.com, 2015). Therefore a growth rate correlating to an increase in demand signals whether the community is tracking the GDP rate or lagging behind.

### 2.2.6 Semi-structured Interviews

A semi-structured interview guide was used for the in-person interviews at IKEA and Rangsutra. Each question in the interview guide has been largely open-ended but centred specifically on the HDI indicators, to allow each interviewee to offer their account and involvement related to the research topic. For Ericsson, It was a conference call interview which was done in a group setting. The interview respondents were,

Name	Designation	Company	Date	Type
Vaishali Misra	Initiative Leader, Next Generation Social Entrepreneur	IKEA	4th May 2016	Telephonic
Tomas Lundin	Sustainable product Sourcing Manager- Home Furnishings	IKEA	26 <sup>th</sup> April 2016	Email/Telephonic
Sumita Ghose	Founder and Managing Director	Rangsutra	3 <sup>rd</sup> May 2016	In Person- Stockholm Waterfront
Anastasiya Nikolayenko	Head of Human Resources (RSSA)	Ericsson	2 <sup>nd</sup> May 2016	Telephonic
Heather Johnson	Director or Stakeholder Relationships and Communication	Ericsson	9 <sup>th</sup> May 2016	Conference Call
Maria Lindeborg	Head of Responsible Sourcing			
Camilla Goldbeck	Head of Human Rights			

### 2.3 Ethics

Due to confidentiality clauses, any disclosure of specific suppliers could result in disciplinary procedures being applied, so therefore only a published supplier case was used. I have no personal involvement in any of these companies, save for being a shareholder at Ericsson, which was beneficial in allowing me access to the AGM where I could connect with the relevant executives for my study. The CEO of Ericsson Hans Vestberg in conversation indicated that he would be eager read about the findings on Ericsson and that it should be submitted to him once complete.



## 2.4 Delimitations

This study is limited by certain factors, given the short time frame with which to conduct it, and the geographical locations of the subjects studied. Furthermore, confidentiality agreements between the companies and their suppliers have limited my access to first-hand information. In the case of IKEA, and with the supplier, Rangsutra, this relation has been widely publicised and contact with the supplier could be established.

Due to the highly competitive nature of the corporate business environment and the need to protect Intellectual property in terms of designs and products, access to suppliers and information was highly constrained. In order to collect data, questionnaires would need to have been distributed via the supply chain manager channels downstream to supplier factories, where it would have been received by owners or managers. There would be no way to verify the authenticity of the information and guarantee that it was not filled in under duress or for employees to provide information that was appealing to the owner/manager of the factory. In order to overcome this, secondary data would have been collected from the local school using enrolment rates, and from the clinic to assess the state of health. The practicality of achieving this in the limited time frame became apparent and instead, I decided to use the examples provided by the multinational in question, and conduct thorough research to assess the actual success or failure using the HDI and SDG's as a benchmark instead

A two company case study cannot also offer a comprehensive view of the CSR landscape in Sweden; hence the need for future studies to adopt a larger sample size across industries is required. There was no initiative to interview or analyse customers as this fell outside the parameters of the study, and can be assessed in greater detail as part of a larger project. Rangsutra and Ericsson do not have a documented account of how development has taken place in their supply chain, and this holds promise for future research.

## 3. Theoretical Background

This chapter deals with the most dominant theories that inform the discussion regarding CSR. It includes the literature most prevalent in the academic discourse, and also deals with the background of sustainability in Sweden and the benchmark that is used to offer an analysis.

### 3.1 Overview of CSR Theories

The CSR landscape is informed by a variety of theoretical discourses, which argue for or against, what social responsibility actually means. Some hold onto the neo classical interpretation of firms as primarily being drivers of economic growth, or Utilitarian which some authors (Garriga and Mele, 2004) term as instrumental theories. (Secchi, 2007) however asserts that the current descriptions of CSR theories are very homogenous in their outlook and therefore limiting from a multi-disciplinary perspective. He suggests framing the theoretical discussion from a:

broader perspective, and through... the definition of clear cut classes of theories...to obtain a set of variables that allow us to analyse CSR in a way that can be useful for enhancing further developments both in theory and practice (*Ibid 21*).

a representation of which he offers, in the illustration (figure 1) below.



Fig. 1 – Overview of dominant theoretical approaches of CSR by (Secchi 2007).

According to one of the foremost authors on corporate social responsibility (*Ibid*,22), (Carrol, 1991) structured CSR into a four level model, shown in figure 2, which has been widely accepted by many “theorists” in the fields of business, society and ethics (Carroll and Schwartz, 2003). It is aligned to the notion that the economic activity is a foundation of the firm and therefore should be efficient and profitable, and endeavour to maximise shareholder value whilst maintaining a “Strong competitive position” (*Ibid*, 20). This must be done within the legal frameworks of a countries regulations and “should perform in a manner



Fig.2 – Four level model of CSR as proposed by (Carroll 1991).

consistent with expectations of government and law”(*Ibid* 21). So while this is congruent with the economic theory of (Friedman, 1970), it includes an ethical and philanthropic consideration. This suggests that it is fundamental that firms act in a manner which is compatible with the ethical and moral considerations of a society, and to assist in projects that improve the “quality of life” in a community (Carroll and Schwartz, 2003, 23). It outlines that ethical behaviour is expected, while being philanthropic, though not required,

is a desirable trait. There has been a blurring of these distinctions though, where companies are more philanthropic than ethical. This projects the notion of good CSR when in fact it is charity, which some argue, does less to empower and more to perpetuate inequality.<sup>1</sup> The theory which best fits this description according to (Carroll, 1994) is Stakeholder theory as it embodies managerial and relational theory,

### 3.1.1 Utilitarian Theory

According to (Secchi, 2007), when a firm is considered to be a key component of a nation's economic systems, it can be defined as being Utilitarian. It performs its functions in a mechanised manner, seeking only to deliver profit, notwithstanding any externalities. Social responsibility is considered to be a deviation from the stated objectives of economic theory according to (Friedman, 1975), and considered it no different to charitable acts. In the management sciences of the fifties, authors like (Levitt 1958, 44) remained of the view that, "... The essence of free enterprise is to go after profit in any way that is consistent with its own survival as an economic system." In more recent time, neo utilitarian writers like (Porter and Kramer, 2002), support Friedman's view, considering "social responsibility to be corporate philanthropy or cause related marketing" (Secchi 2007, 354). (Porter and Kramer 2002, 13) posit the advantages of strategic philanthropy in the regions firms operate in order to improve the "business environment" there. By engaging in activities that are part of a corporate charitable strategy, companies are able to better position themselves for growth by developing talent pipelines. This is achieved through educational initiatives, and gives the business a competitive advantage.

(Jensen, 2001) writing in the Applied Journal of Corporate Finance, argues that growth and productivity can only be "maximised" from a unitary perspective and that value addition and generation, is only achieved when this method is adopted (*Ibid*, 346). This theory is extremely constricted in its outlook and cannot be applied to this study, as it fails to consider the importance of any other factor except the company's wellbeing.

### 3.1.2 Managerial Theory

Located within the domain of business and organizational management, managerial theory is "premised on knowledge and skill, rather than capital or scale as the strategic resource" (Bartlett and Ghoshal, 2007, 64). It is a departure from the conventional disciplinary foundations of "existing economic and behavioural theories" (*Ibid* 65) and offers the prospect of a firm guided by the principles of those who manage it. There has been a significant shift in manufacturing from a higher to lower costs base, therefore increasing the number of companies that now have transnational operations. And whilst there may be a home presence as it were, it becomes increasingly difficult for the country head office, to regulate and monitor infarctions, therefore placing an increasing responsibility on managers to ensure that the business is conducted in a moral and ethical manner (*Ibid*). According to participant research that was carried out, observations indicated that managers do indeed act in a manner that is guided by their belief sets and generalisations, which include a combination of moral and practical considerations, (Watson, 1996).

At its core, managerial theory does place the firm at the centre and managers will act in the best interests of the organisation. This theory considers that decision making regarding CSR is endogenous, and can be argued that implementation would be informed from a business strategy level, and therefore systems and processes would follow suit in order to

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<sup>1</sup> (Moyo D 2009) "Why Aid Is Not Working and How There is Another Way for Africa", offers an insightful argument to support this.

ensure the successful roll out of such. As a relevant theoretical model to describe the case study, it follows a specific organisational and managerial trajectory, which does offer promise as an explanatory tool.

### 3.1.3 Relational Theory

According to (Maessen *et al*, 2007) the modern firm is involved in a two key aspects, that of value creation and maintaining relationships with its stakeholders. They argue that a connection between the two is essential for understanding CSR and the more expansive the level of connectivity with external stakeholders; additional benefits accrue to a firm. The authors indicate that there are three dimensions which define CSR and these are “profit, people, and planet”. Interestingly, IKEA’s long term CSR strategy is called PPP 2020, defined as People, Planet, Positive by the year 2020. The author postulates that:

The capacity to address a myriad of issues that transcend geographic jurisdictions (migration flows, environmental protection, corruption, terrorism, child labour, *e.t.q.*) requires a new kind of governance in which traditional roles and interventions become defined as partnerships, *i.e.*, strategic collaboration among the private, the public, and the civil sector (*Ibid*, 79).

Increasing linkages through partnerships migrate the concept of CSR away from an inert model to something which is more vibrant. Relational theory found its roots in stakeholder theory as espoused by (Carrol, 1984), but was taken to its current form by (Clarkson, 1995) who theorised after conducting a study on 50 cases, that:

Corporate Social Responsibility (CSR1), Corporate Social Responsiveness (CSR2), and Corporate Social Performance (CSP) are best understood by analysing and evaluating the way in which corporations actually manage their relationships with employees, customers, shareholders, suppliers, governments, and the communities in which they operate (Maessen *et al*, 2007,80).

Based on the drawing nearer of outward stakeholders, viz, NGO’s, firms are able to develop partnerships that will help them deal with the increasing complexities of globalisation. It remains more relevant in contemporary times when the constant pursuit of lower costs and increased profits can result in the lack of oversight, which has profound social and environmental implications.

Whilst this theory can be used to describe community development within supply chains as an impact of CSR programs in developing countries, the more encompassing model is stakeholder theory.

### 3.1.4 Stakeholder Theory

Stakeholder theory remains one of the dominant forms of explanation regarding the commitment of multinationals to CSR as put forward by Edward Freeman. The author postulates that the concept of the firm being accountable to its traditional stakeholders, *vis a vis*, shareholders and directors only, is antiquated. A more realistic representation of stakeholders would need to include employees, unions, communities, governmental bodies, suppliers, and customers. It was initially developed under the carapace of “organizational management and business ethics that addresses morals and values in managing an organization” (Freeman, 2014, 1). Within the ambit of this theory, value creation is considered as an embedded aspect of doing business, and that managers need to have a clear vision of their business model and the types of relationships they would like to develop with their stakeholders, in order to achieve this goal (Freeman *et al*, 2004).

The objective of the firm according to (Freeman, 1994, 3) is centred on two specific purposes; “What is the purpose of the firm... and what responsibility does management have to stakeholders”? (Freeman et al 2004, 364) argue that:

Today’s economic realities underscore the fundamental reality we suggest is at the core of stakeholder theory: Economic value is created by people who voluntarily come together and cooperate to improve everyone’s circumstance.

It is based on relationships and the development of communities around a shared objective suggesting that ethics and morality are a fundamental aspect of commerce. This viewpoint is however critiqued by (Sundaram and Inkpen 2004, 355), proposing that the sole motivation for a commercial entity is the “Maximisation of Shareholder Value”. This resonates more closely with the neo classical economist Milton Friedman’s view of the firm as a profit generating entity, solely accountable to shareholders, an action that he defined as the social responsibility of the firm (Friedman, 1970). His reasoning (Lee, 2008) was that executives would engage in activities that would dilute the shareholder value, based on their social whims in the name of doing good. Contemporary research has however shifted away from this narrow interpretation of social responsibility, with increasing research dedicated to the multiple dimensions (Harrison and Wicks, 2013) beyond that of just economic value.

According to (Harrison and Wicks 2013, 56)

firms that provide more utility to their stakeholders are better able to retain their participation and support. Furthermore, stakeholders depend on both the firm and its other stakeholders to satisfy their own interests.

In light of this, we can conclude that increasing engagement with suppliers on a long term basis is a positive indication of the acceptance of Stakeholder theory by multinationals. Whilst admittedly, the level of value creation may not extend as extensively as proposed by the theory, there is a tacit understanding regarding the importance of not only shareholders, to the success of the firm. One could further argue that in the current technological age of social media and rapid dissemination of information, stakeholders wield considerable influence over the way a company conducts its business. Moreover, Harrison and Wicks have explored the value creation aspect of stakeholder theory as a response to the narrow definition of value, as an exclusive notion linked only to the economic advancement of the firm (2013, 23). They mention that, “this perspective is about creating a higher level of well-being for the stakeholders involved in a system of value creation led by the firm”. Organisations then are not only accountable to shareholders, but to all those who are affected by their business activity. (Marrewijk, 2003).

When considered as an explanatory tool in relation to the Human Development Index and Sustainable Development Goals, this theory in conjunction with parts of managerial and relational theory offers the most concise framework with which to analyse community development in supply chains. There is however an alternate strand to the concept of stakeholder theory from the “institutional perspective”, to one of stake holding which originates from a “citizens perspective” instead.

According to work done on this concept by (Ackerman and Alstott 2004, 43) they indicate that:

stakeholding...share(s) a commitment to progressive redistribution... which challenge(s) the identity politics and watered-down Marxism that have come to dominate conventional “left” thinking. Every citizen may claim her stake...simply because she is a human being, capable of shaping a life plan. She does not claim more—or less—by virtue of being female, or being a minority, or possessing a disability. Stakeholding...take(s) a concrete step toward initial equality, recognizing the individual not the group.

This concept provides an interesting counter balance and would be better explored in a larger study, where field work conducted on the local communities was far more substantial.

## 3.2 Literature Review

This chapter deals with the definitions of the applicable terms of CSR, Sustainable Development and the linkage between Business and Sustainable Development.

### 3.2.1 Corporate Social Responsibility

Corporate Social Responsibility has no clear definition and can be explained in any number of ways. It has become an amalgamation of ideas, definitions, and objectives, each promulgated by different actors (Kerstin Sahlin Andersson, 2006). Whilst some authors consider CSR to be the commitment by business to contribute to sustainable development, others (Dahlsrud, 2006) remain circumspect of the true intentions regarding the interpretations of these, depending on the actors concerned. There are different dimensions related to its understanding and these are classified according to (Dahlsrud, 2016), as being five. These are environmental, social, economic, stakeholder, and voluntariness. Of these, the Stakeholder, Social and Economic dimensions feature the highest, whilst the environmental discourse rates lower at 50% vs 88 % for the others (*Ibid*, 17). According to the World Business Council on Sustainable Development (WBCSD), they have distinguished between corporate social responsibility and corporate environmental responsibility; terms that seek to further differentiate what the objectives of responsible business is. According to the Financial Times, “Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders” (Financial Times lexicon, 14 May 2016).

### 3.2.2 Sustainable Development

With regard to Sustainable Development, the widely accepted definition is attributed to the Brundtland report which was published in 1987 though (Hopwood et al., 2005,40) argue that it was in fact coined in the “World Conservation Strategy” in 1980. And it is ‘laden with so many definitions that it risks plunging into meaninglessness, at best, and becoming a catchphrase for demagogy, at worst’ (*Ibid*, 42). The Brundtland Commission, formally known as the World Commission on Environment and Development, was chaired by the former Norwegian prime minister Gro Harlem Brundtland. It was a document drafted in global collaboration with various stakeholders, and directed the focus from forestry and fisheries to much more broader and holistic concept. According to the report cited by (Anand and Sen, 2000, 2033):

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: *the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given*; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

This was a seminal piece of work that established three critical dimensions to the concept of sustainable development. It amalgamated the “improvement of human wellbeing; the more equitable distribution of resource use benefits across and within time scales; and development that ensure ecological integrity over intergenerational timescales”(Sneddon et al., 2006, 255). It also paved the way for more inclusion of non-state actors in discussions regarding development that played an important role in the convening of the first Earth Summit in Rio de Janeiro in 1992 (Redclift, 2005). Subsequently, the World Summit on Sustainable Development was held in Johannesburg in 2002 where two key annexures are relevant for this paper. All participants declared that,

1. We commit ourselves to building a humane, equitable and caring global society, cognizant of the need for human dignity for all; and
2. Accordingly, we assume a collective responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of sustainable development - economic development, social development, and environmental protection - at the local, national, regional, and global levels.

There is however a criticism of this by (Hopwood et al., 2005) who indicates that there was no guidance on how to develop sustainability, but rather a pandering to neo-liberal economic interests which still supported rapid economic growth, however did not have to commit to implementing any systemic changes.

### 3.2.3 Enterprise and Sustainable Development

Sustainable Development (SD) has evolved in the commercial world to represent many facets of an organisations interaction with society, its employees, and its relationships with others along the supply chain. There are however inconsistencies in respect of the definitions, and I have found an interchangeability of terminology between CSR and Sustainable development. In order to distinguish between the plethora of articles that were available both online and in print, my search criteria were narrowed down to “Corporate Social Responsibility and Sustainable Development”. CSR as defined by WBCSD (World Business Council on Sustainable Development, 3 May 2016) states that it is:

the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.

Contemporary research on the impacts of supply chains indicate that profits are made and lost based on the efficiency of these networks (Andersen and Larsen 2009). There is a growing amount of interest conducted on topics like supply chain sustainability, environmental management and corporate greening (*Ibid*) which is creating the need for sustainability reporting by large multinationals. However according to (Bowen et al 2001), there remains a discrepancy between the stated objectives of sustainability in the supply chain, and the realities on the ground.

(Andersen and Larsen 2009) suggest that whilst literature on SCM (Supply Chain Management) has focused more on the technical aspects of it, there has been less focus on

the sustainability of supply chains in developing countries, even though an increasing number of multinationals have outsourced their production facilities to these regions. Instead concepts like reverse logistics and reverse supply chains that are more correlated to the dynamics of SCM are being researched, which further highlights the importance of this study.

### 3.3 Contextual Background

#### 3.3.1 Sustainability in Sweden

There has been no definitive idea of what CSR is in Sweden, rather an amalgamation of practices fused from the Swedish model of social behaviour. According to (Windell, 2008), the emphasis on CSR is more on how companies behave in the global as opposed to the local context, and the case for CSR is one of reputational importance (Idowu and Filho, 2008). In 2007, the Swedish government made it mandatory for state owned enterprises to report on their sustainability efforts, in line with the Global Reporting Initiative (GRI).<sup>2</sup> This was not required for privately listed or unlisted companies, however five Swedish firms were listed in the top 100 of the Corporate Knights global sustainability ranking. This ranking agency is a media house with an in-house research division that also generates corporate rankings, research reports, and financial product ratings, based on corporate sustainability performance.<sup>3</sup> According to information by the Swedish Government, “In 2013, Sweden topped the RobecoSAM Country Sustainability Ranking, which ranks 59 countries based on 17 environmental, social and governance indicators” (CSR in Sweden, 2015).

#### 3.3.2 Corporate Social Responsibility in Sweden

Global Ansvar is a Swedish initiative that was launched by the Foreign ministry in 2002, after much protests took place at the EU summit in Gothenburg, which was also Sweden’s last as president of the EU (Idowu and Filho, 2008). Shortly before, two Swedish multinationals IKEA and H&M, were found to have been negligent and lacking oversight, when child labour and unsafe working condition were discovered in their supplier’s factories respectively. The concept of Global Ansvar was meant to offer a set of guidelines that would serve as an ethical compass in terms of businesses responsibilities to all stakeholders, when engaging in global trade. It was an adjunct to the UN Global Compact, which assists as a beacon of ethical consideration and sustainability to corporates, in all commercial transactions. Its purpose is to inculcate a culture of embedded sustainable thinking within a company’s strategy, and has five core pillars that are meant to represent the defining features of what corporate sustainability is. These are, a Principled Business Approach, Strengthening Society, Leadership Commitment, Reporting Progress, and Local Commitment, and is born from a set of key UN documents and charters. (UN Global Compact, 2014) These are “the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles

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<sup>2</sup> The GRI is a n independent organisation that helps business and governments communicate the impact of business on critical sustainability issues.

See <https://www.globalreporting.org/information/sustainability-reporting/Pages/gri-standards.aspx>

<sup>3</sup> Corporate Knights position themselves as being concerned with how business and society interact. They define “clean capitalism” as an economic system in which prices incorporate social, economic, and ecological benefits and costs, and actors know the full impacts of their actions. See <http://www.corporateknights.com/us/about-us/>



and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption”.<sup>4</sup>

It is an appealing document in terms of its approach and depth, and has considered some key principles that are listed under each heading. In order for these to be implemented in a measured manner, the Global Compact has listed 10 principles that are represented by the following headings, “Human Rights, Labour, The Environment, and Anti-Corruption” (UN Global Compact, 2014,11). Human Rights deals with principles 1 & 2 that suggest business should not be complicit in human rights abuses and should support and respect the international proclaimed charters legislating such. Labour is more comprehensive and consists of principles 3 to 6 which are, (3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; (4) The elimination of all forms of forced and compulsory labour; (5) The effective abolition of child labour; and (6) The elimination of discrimination in respect of employment and occupation” (*Ibid,11*).

Under Environment, principles 7 to 9 are represented which are (7) Businesses should support a precautionary approach to environmental challenges; (8) Undertake initiatives to promote greater environmental responsibility; and (9) Encourage the development and diffusion of environmentally friendly technologies. The last concept of Anti-Corruption is manifested by the following definition, (10) Businesses should work against corruption in all its forms, including extortion and bribery.

Currently there are 12’000 signatories in 170 countries that consist of 8000 companies involved in almost every sector (*Ibid, 46*). A strong emphasis on the UN sustainable Development Goals is implied, therefore suggesting that the ultimate objective of this compact is to contribute to the achievement of the aforementioned.

In this respect, CSR practiced by Nordic member states can be considered to have been well established and therefore acquired their legitimate ability to be now implemented on a global scale. This thinking has resonated with Swedish business organisations like Svenskt Näringsliv,(The Confederation of Swedish Enterprise), who claimed that ‘core’ CSR was by far covered by law in countries like Sweden and therefore practices stipulated by UN global compact were already being practiced by Swedish firms. (Gjølberg, 2010) argues that government involvement was not always a part of a CSR strategy, rather it being a business concept which foresaw a role for enterprise beyond trade. It has now instead become an instrument for global governance and states have latched onto its effectiveness in this respect. It then becomes plausible when the author asserts that CSR has now become a way for the state to enlist the help of business in order to deliver welfare services, especially in area where there is lack of these. This then reflects the Political Economy of CSR as a mechanism by which countries are able to use enterprise in order to further a specific aim. This falls under the rubric of literature associated with “new institutionalism” and suggests that CSR as concept will be transformed to make it compatible with “political economic institutions” (*Ibid, 204*). The author mentions that,

One of the unique features of Nordic capitalism is the central role that the state plays in the economy. In addition to the governments' extensive engagement with

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<sup>4</sup> The UN Global Compact works with business regarding Human Rights, labour, Environment and Anti-Corruption. See [https://www.unglobalcompact.org/docs/publications/UN\\_Global\\_Compact\\_Guide\\_to\\_Corporate\\_Sustainability.pdf](https://www.unglobalcompact.org/docs/publications/UN_Global_Compact_Guide_to_Corporate_Sustainability.pdf)

economic affairs through public policy and the corporatist system, they are key business actors as one of the largest owners, investors, and procurers in the Nordic economies (*Ibid*, 207).

### 3.3.3 The Scandinavian Model

According to (Clarkson, 1995, 96), Votaw in (1973, 11) mentioned regarding CSR;

The term is a brilliant one: it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means social responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of responsible for, in a causal mode; many simply equate it with a charitable contribution.

The author argues that the adoption of CSR is both a political and cultural tool, which is used to further Swedish business interests around the world. By virtue of the welfare model being successful, he further indicates that Nordic countries assert a cultural bias against other nations, when requiring developing or newly industrialising countries to conform and implement the standards that are prevalent in Scandinavia. There has been a concerted effort to link foreign trade with CSR from an early stage in Sweden and this has evolved over a period of time as illustrated by table 1 below.

<b>Initiative</b>	<b>Launched</b>	<b>Type</b>
<b>Swedish partnership for Global Responsibility</b>	2002	Structure and Policy
<b>Compulsory sustainability reporting for state-owned companies</b>	2007	Policy
<b>Common Nordic strategy on CSR</b>	2012	Policy
<b>Swedish CSR platform (EU response)</b>	2013	Policy
<b>Declarations on foreign trade policy</b>	Several years	Policy
<b>Establishment of Swedish Institute's management education</b>	2007	Structure
<b>Establishment of CSR centre in China</b>	2010	Structure
<b>Establishment of Business Sweden</b>	2013	Structure

Table 1. Evolution of CSR in Sweden. Source: (Frostenson 2015, 9&10)

Frostenson (2014; 10) suggests that,

One important reason for the establishment of the (Global) Partnership (in 2002), which was not only reflecting government policy, but was also a support structure in itself, was to shed light on the advantages of globalization and free trade, along with a commitment where companies themselves agreed to act on the international arena according to sound principles (Frostenson and Borglund, 2006; De Geer et al., 2009).

Primarily, its objective was to strengthen the competitive edge of Swedish firms. The idea and strategy therefore was that by highlighting the value systems of the Scandinavian way

(Gjølberg, 2010) and having Swedish companies adopt this in their business practices, would highlight their attractiveness to countries wanting to develop along the same lines and would therefore place these multinationals in a favourable position. Whilst I do not argue that strategy, this paper would like to then assess whether this model which has been promoted through global trade has actually been successful in improving the lives of the people and contributing to sustainable development in the regions Swedish enterprises operate. There is a firm focus on the term sustainable business, and the key areas have been identified as “Human Rights, Working Conditions, Environment and Anti-Corruption” (*Ibid*, 14). In policy documents from 2013, issued by the Ministry of Foreign Affairs, Frostenson has summarised the policy below, to suggest that the objectives of the government are linked to business development and that sustainable business and CSR are closely correlated in respect of political discourse.

The policy states that,

- i. Swedish companies with good relations to stakeholders strengthen risk management and make Swedish companies more attractive business partners on the international scene, and
- ii. Sustainable business stands for values cherished and promoted by the Swedish government and the Swedish society.

Sustainable business strengthens the long-run competitive edge of Swedish companies at the international level. Companies with long-run perspectives on value creation will more likely attract the most talented employees and lower their costs of capital due to the lower risks associated with their operations. To understand the centrality of Corporate Social Responsibility in Swedish companies, one needs to recognize the political landscape which supports this drive for a sustainable model. Scandinavian countries are noted for their social democratic welfare state model, which places a strong emphasis on education, gender equality, employee wellness, and health benefits. Moreover, there is a strong leaning towards transparency and aversion to corruption, which has come to encapsulate the Nordic value systems (Frostenson, 2015). There is an embedded cultural perspective in these countries which many there have come to believe, according to (Frostenson, 2014), that when exported, will lead to an adoption of the same high ideals in the receiving country. And the best way to export this, is through the activities related to business. The author further asserts that culture plays a defining role as a “self-reflective phenomenon in the justification of CSR” (*Ibid*, 2).

The Nordic Ministers council in 2002 (Frostenson, 2015) upon the proclamation of a joint strategy for CSR, released a statement indicating that,

Elements of CSR are historically rooted in the Nordic region. The values which CSR are based on are embedded in the Nordic countries, characterized by traditionally high levels of social and environmental standards. The Nordic countries are also known for supporting a culture of trust and stakeholder dialogue, and ability to combine economic competitiveness with social welfare and environmental considerations/protection (Nordic Council of Ministers, 2012, p. 6 cited in Frostenson, 2015, 16).

This was further supported by another statement by the Norwegian minister for Trade and Industry.... In an opening speech, he claimed that “many elements of CSR are at the core of the Nordic Welfare model, such as decent work, gender equality, involvement of citizens and social dialogue” (Nordic Council, 2012)” (*Ibid*, 16).

### 3.3.4 Community Development

Whilst firms are dependent on their customers to be successful, SMME's ( Small and Medium Enterprises) are more vulnerable when having one large outlet for their product, as price and other considerations can have a pronounced impact on their business survival, a fact especially true in developing countries. This view is however challenged by (Andersen and Larsen 2009), who indicate that companies are more reliant on their suppliers, nevertheless, still affirming the centrality of the relationship.

By using the HDI and SDG's as metrics for measuring the success of CSR programs, we are able to adopt a short to medium view of development trajectories based on widely accepted benchmarks. These will then provide an insight into how much CSR programs have empowered these communities in line with the cultural model that is prevalent in Sweden.

## 4. Value Measurement Indices- Benchmark

### 4.1.1 Human Development Index – (HDI)

The HDI is a set of indices that have been developed by two economists, Mahbub ul Haq and Amartya Sen, and now adopted by the United National Development Program (UNDP), to measure the progress in human growth using key indicators as a gauge of measuring progress. It is based on the idea that economic growth in itself does not automatically guarantee the welfare of people in a country. The developers of this index also do not believe that Gross Domestic Product (GDP) growth rates are a correct reflection of the wellbeing of individuals and that it was never intended to measure this (Sakiko, 2003). Rather, human development is to facilitate the choices people are able to make, by having access to enabling resources. According to the UNDP, “educating a girl would build her skills, but it is of little use if she is denied access to jobs, or does not have the right skills for the local labour market” ( HDRO Outreach, 2015). Figure four below is an illustration of the dynamics regarding the index; however limitations to the study will constrain the measurements to reflect a high level overview of progress only. In order for a comprehensive assessment to be generated, face to face interviews with participants would have need to be held, in an environment which allowed for unbiased answers to be given.

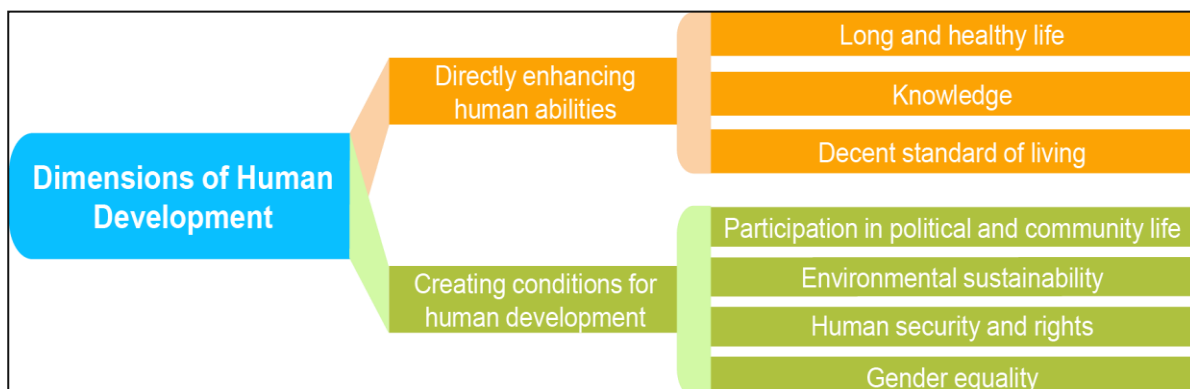


Fig. 3 - Dimensions of Human Development according to the United Nations Development Program (UNDP). Source: UNDP

The key dimensions of the index using quantitative data would measure, Life Expectancy at Birth, Knowledge and Education, and the Standard of Living, calculated using Gross National Income (GNI) per capita – represented by Purchasing Power Parity (PPP).

In terms of the calculation, Life Expectancy (LE) at Birth is derived using the following method  $LEI = \frac{LE-20}{85-20}$  while for Knowledge and Education, the following formula is used - Mean Years of Schooling Index (MYSI) =  $\frac{MYS}{15}$

Expected Years of Schooling Index (EYSI) =  $\frac{EYS}{18}$

Income Index (II) is =  $\frac{\ln(GNIpc)-\ln(100)}{\ln(75,000)-\ln(100)}$  II is 1, when Gross National Income (GNI) per capita is \$75,000 and 0 when GNI per capita is \$100.

The HDI is then calculated using the mean of the three normalised indices, represented by the following formulae:  $HDI = \sqrt[3]{LEI \cdot EI \cdot II}$

In the course of future studies to analyse the the broader Swedish business supply chain landscape, seeing what a fundamental aspect of the business development model it is, using the above calculations on large data sets would offer a better insight into community development. Their overall linkages are better represented in figure 4 below.

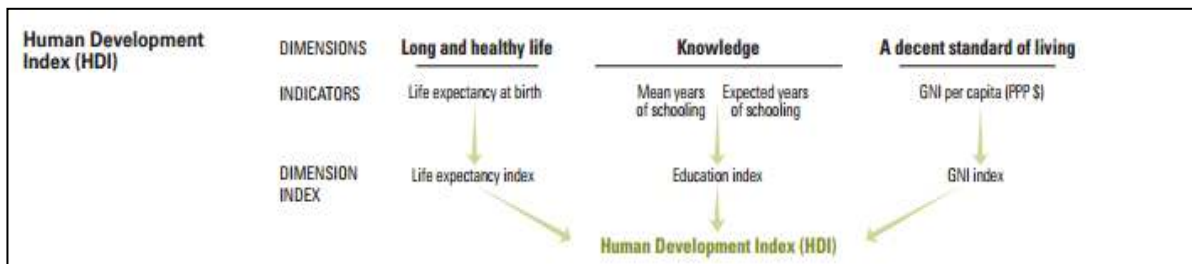


Fig. 4 – Graphical Representaion of HDI calculation. Source. UNDP

#### 4.1.2 Sustainable Development Goals (SDG's)

A successor to the Millennium Development Goals, the SDG's are meant to be a comprehensive framework of aims that were adopted at the Rio Round of the UN conference on Sustainable development in consultation with all stakeholders. They are a set of 17 objectives as shown in figure 6, which were meant to be achieved by 2015, in order for developing countries to address the root causes of poverty and development needs of all people.<sup>5</sup>



Fig. 5 – Sustainable Development Goals adopted by the United Nations (UN). Source: United Nations

<sup>5</sup> The SDG's have still not been achieved and whilst there has been some progress , there remains much work to be done. See <https://sustainabledevelopment.un.org/sdgs>

In respect of this study, not all the goals are relevant and have been assessed to this end. The most pertinent ones that are benchmarked against are goals number 1,2,3,4,5,6,8,9,10 and 11. This does not mean they cannot be used in future studies, however, spatial and time limitations constrained their inclusion.

## **5. Case Studies**

These case studies were chosen based on using one listed multinational and another unlisted corporation to offer two alternate views on how CSR is implemented. It also offers an insight of the challenges of the developing country where IKEA's supplier is located, thus trying to offer the reader a deeper understanding of the effectiveness of these programs.

### **5.1 Ericsson**

Ericsson is a telecommunications firm that was founded in Sweden in 1876 by Lars Magnus Ericsson. One year later, he established what would then be, the first telephone line in Sweden. In 1878 Lars began manufacturing telephones and in 1881, the Ericsson phone was first utilised by the mass market. On April 1 1896, Ericsson with already 25 000 customers at this stage, became a listed company, and changed its name to Aktiebolaget L M Ericsson & Company. Lars issued 1000 shares, of which 900 remained with him and 100 were spread amongst his most valued employees. Its first foray into international markets began with the establishment of a telephone plant in Buffalo New York in 1907, which was followed by its entry to Latin America, when the first telephone station in Mexico was built.

During the 1950s and 60s, increased manufacturing began taking place in global markets, notably Latin America, and in 1956, Ericsson launched the first mobile telephone, which weighed an eye watering, 40 kilograms. In 1978, Ericsson struck a significant deal in the Middle East, firmly establishing itself as an international player. The nineties saw the company significantly expand in its mobile offering, and at that time now employed 100 000 people worldwide. In 2015, Ericsson had 116 000 employees, 39 000 patents, and nett sales of SEK 247 Billion (Ericsson.com, 2016).

#### **5.1.1 Overview of Operations**

Ericsson currently manages the telecoms network infrastructure for over 1 billion subscribers and 40% of the world's mobile traffic passes through networks that it has developed. Based on this scale, Ericsson has supplier interactions throughout the globe and places an emphasis on strategic stakeholder relationships in order to remain at the fore of delivering solutions and meeting their consumer demands.

#### **5.1.2 CSR and Sustainability**

Ericsson has, according to its sustainability report from 2015, began actively reporting based on the UN Global Compact and placed a concerted effort in incorporating CSR and sustainable development into their business strategy. As part of this thinking, they wish to make a measurable difference to society by leveraging their skills and knowhow in "making the world a better place". They have decided to categorise their strategies into themes, which are,

- Conducting Business Responsibly,
- Energy, Environment and Climate Action,

➤ Communication for all.

Since their CSR reporting formally began in 2012, Ericsson has focused on addressing the issues of firstly, the Millennium Development Goals (MDG's), and now the SDG's by fragmenting their objectives into smaller goals. It started with the identification of key issues which they saw within their scope of influence to effect, viz;

- Accessibility and Affordability of Mobile Communication,
- Energy and Material Efficiency,
- Climate change and Urbanization,
- Business Ethics and Human Rights,
- Employee Engagement

By calling their initiative, Technology for Good, Ericsson has decided to adopt a stakeholder approach as part of their business strategy in order to develop it into an endeavour which they hope can effect material change. Since 2007, they have been involved with the Millennium Village Project, a scheme which includes the Earth Institute from Columbia University and two telecoms providers, MTN and ZAIN. It was a pilot study to assess the impacts of ICT (Information, Communication, and Technology) on poor rural communities and how ICT as an enabler, could facilitate the realisation of the MDG's by 2015. The focus was on Healthcare, Education, and Poverty Reduction.

In 2009 Ericsson, introduced mobile applications that were specifically targeted at poor communities. These were the Ericsson Virtual number, and Ericsson Dynamic discount solution. The former is an application that allows each member of a community to have their own number, yet all share the same telephone, whilst the latter makes intelligent use of network statistics in order to allow telecom operators to offer discounted rates to consumers in targeted locations, whilst at the same time reducing network congestion and energy consumption.

Another initiative developed by Ericsson and launched in 2000, is called the Ericsson Response System, which facilitates communication in the case of a natural or human disaster. First used during the flooding and droughts in Algeria and Tajikistan, Earthquakes in Pakistan and Peru, it has responded to the Tsunami in Indonesia in 2004, Haitian Earthquake and more recently, the Ebola epidemic in West Africa and displaced persons camps in Iraq.

The response effort is staffed by volunteers from Ericsson and the equipment is provided in order to enable connectivity between aid agencies at the disaster site. They have partnered with international agencies like the UN Office for the Coordination of Humanitarian Affairs (OCHA), the UN World Food Programme (WFP), and the UN High Commissioner for Refugees (UNHCR). According to their report:

One of the biggest efforts in the history of Ericsson Response was in November 2013, when super typhoon Haiyan hit the Philippines. Ericsson Response, in partnership with ETC [Emergency Telecommunications Cluster] and WFP, responded to the emergency by deploying a total of 24 volunteers, and provided wireless internet connectivity to aid agencies on the ground. The volunteers set up wireless connectivity in five sites across the Philippines, allowing more than 6,400

users from the humanitarian community to better organize the relief operations (Ericsson.com, 2015).

It is a non-profit endeavour that harnesses the technical skills of employees whilst providing the technological hardware in order to deliver solutions to disaster zones. Another effort was the development of the Refugee Reconnection application in partnership with the UNHCR and MTN, the international telecoms provider, a mobile phone program that aims to reunite friends and family who have been displaced due to conflict or disasters. By 2011, it had 65 000 registered users and Ericsson remains responsible for the technology and access to mobile networks, for the application.

### 5.1.3 Sustainability Strategy

According to the Ericsson Policy on sustainable development, they state that:

Ericsson shall strive to develop, produce, and offer products, services, and solutions with excellent sustainability performance and we shall contribute to the sustainable development of society. Ericsson believes that Information and Communication Technologies (ICT) contribute to: Economic prosperity, Social equity, and improved environmental performance (Ericsson.com 2016)

The CEO of Ericsson, Hans Vestberg holds a seat on the leadership board of the Sustainable Development Solutions Network, which is a UN initiative that aims to organize scientific and technical expertise from all sectors including academia, private and the civil sector, in order to support sustainable development problem at all levels of society. It is also one of the key members of the Swedish Leadership for Sustainable Development, an organisation that works closely with SIDA (Swedish International Development Agency) in which four areas have been prioritized for assistance. These are listed as the:

creation of jobs with decent working conditions; reduction of corruption and unethical behaviour; reduction of negative environmental impacts and maximization of resource efficiency, and integration of sustainable development into core business models and activities (*Ibid,2016*).

## 5.2 IKEA

### 5.2.1 Overview of Operations

IKEA (Ingvar Kamprad Elmtard Agunnaryd) is a global furniture retailer that was founded by Ingvar Kamprad in 1943 as a mail order company from his parent's farm called Elmtaryd, in the village of Agunnaryd, in the south of Sweden. Entrepreneurial flair lead to the design and manufacturing of furniture by factories located close to his home, and to improve awareness of the product line, at first, advertisements were run in the local newspaper and then catalogues were printed, which allowed for the entire range to be showcased.

Highlighting a sustainable endeavour from the beginning, Ingvar enlisted the services of the local milk van to make deliveries to the towns train station, in order to dispatch products ordered through the mail order service. The first IKEA show room opened in 1953 in Älmhult and a few years later, the ubiquitous IKEA Flat Pack idea was born, a boon to the sustainable transportation and storage of furniture, as it reduced space and was practical. In 1956 the first IKEA retail outlet was opened in Älmhult, which was the largest furniture outlet in Scandinavia at the time.



IKEA remains a privately owned and unlisted company with operations in 28 Countries. The total revenue for its business for the period ending 2015 Full Year (FY) 15 was 21,9 Billion Euro with a net profit of 3,5 billion. In terms of operational range, it has a supplier base of 798 dedicated providers and was selected based on its truly global reach, represented by 321 stores worldwide. Excluding the retail outlets, at the end of FY15 IKEA had 27 Trading Service Offices in 23 countries, 33 Distribution Centres and 15 Customer Distribution Centres in 17 countries, and 43 IKEA Industry production units in 11 countries. A global behemoth, it has 978 home furnishing suppliers in 50 countries with an average supplier relationship age of 11 years (IKEA corporate report, 2015).

The IKEA Group operates throughout the whole value chain from range strategy and product development to production, distribution and retail. This includes our own manufacturing units, purchasing operations offices, distribution, and customer distribution centres, shopping centres and 328 stores in 28 countries. In total, the IKEA Group has operations in 43 countries (*Ibid,4*)

According to the IKEA annual report, “IKEA buys production capacity rather than product quantities. In other words, they order 10,000 hours of production from their suppliers rather than 10,000 bookcases” (IKEA annual report, 2015).

### 5.2.2 Ownership Structure

The management and ownership of IKEA is a complicated web of different companies that each represents a separate entity responsible for dispersed aspects of the business. Stichting INGKA Foundation based in the Netherlands is the owner of INGKA Holding B.V. (and The IKEA group) and its funds can only be used in two ways: reinvested in the IKEA Group or donated for charitable purposes through the Stichting IKEA Foundation. This has been considered to be contentious as the firm has been accused of using this ownership structure to minimise its tax liabilities (Shen, 2016).

INGKA holding B.V is the parent company of the IKEA group. The IKEA Group franchises the IKEA retail system from Inter IKEA Systems B.V. in the Netherlands.

Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor. Each of these companies has their own sustainability units and CSR departments, which eventually feed into a sustainability head, which is based in the Netherlands (IKEA Corporate Report, 2015).

### 5.2.3 CSR and Sustainability

In 1990 IKEA decided to transform its conscious CSR efforts into a sustainability action plan that was officially adopted in 1992. This plan consisted of 6 key initiatives, which were “Management and Personnel, Products and Materials, Customers, Suppliers, Buildings Equipment and Consumable Materials, and Transport” (Owens, 2008). The key motto at IKEA has been “To create a better everyday life for the many people”, (IKEA corporate report, 2015) and this thinking resonates in its product offering and the way it is managed and structured.

The momentum for a more conscientious roll out of CSR took place in 2004, when IKEA issued its first sustainability report. This was further boosted by the joining of the UN Global Compact in that year, an act that signalled a commitment to responsible business practices. In 2008, IKEA developed a position that was solely responsible for the coordination of communication related to social and environmental responsibility. In the

same year, it declared that CSR was one of three areas that were singled out for priority in its business strategy. According to research that has been done previously by (Gronvius and Lernborg 2009, 13), they mention that “The supply chain is one of the focus areas of IKEA’s CSR program”. Citing an interview with Ivana Hrdlickova (Information Director at IKEA Sweden), the respondent mentioned that:

IKEA consciously chooses this path as the company procures from 60 different countries and can therefore make the greatest positive impact by providing jobs, improving employee working conditions. Furthermore, IKEA has most knowledge within this area and this form of CSR is also closest to its capabilities and expertise (*Ibid, 13*).

She believes that IKEA would not make the same impact had it simply chosen to just donate money to different organizations and charities (*Ibid, 13*).

The current CSR program is informed by the “People and Planet Positive 2020 (PPP2020)” strategy that was launched in 2012. This document is the blueprint for the way IKEA plans to engage with stakeholders and sustainable development, and has set very ambitious goals that they would like to achieve by 2020.

The PPP 2020 white paper indicates that IKEA’s vision of a sustainable world is characterised by an enhanced quality of life for the many people, where human rights are respected and environmental protection is achievable. They remain confident of their ability to provide opportunities and empower individuals, so that they are in a position to improve their lives and that of their families. This they feel is possible based on their economic size and influence, and mention that their program is able to:

Help lift people out of poverty by providing good places to work throughout our value chain and contribute to creating a fairer and more equal society for the many people. IKEA can be a small, but significant, force in helping to create this more sustainable world. (PPP strategy, 2014, 3)

With regard to sustainability, IKEA have outlined the need to ensure that the social, economic, and environmental needs of communities are met without compromising the ability of future generations to meet theirs. Considering that they have adopted the Brundtland definition, this places a greater deal of responsibility on the firm to ensure that the needs of the poor are addressed, especially those that fall within the sphere of their influence. The document further states that:

Across our integrated value chain, we contribute to improving the quality of life of people and communities and support a world that prospers within the limits of one planet. We are committed to good working conditions and respect for workers’ rights...It means promoting a strong, healthy, inclusive, and just society where people can prosper and fulfil their potential (*Ibid, 2014*).

From the information provided and widely distributed on their website, IKEA have adopted a very positive CSR approach. With regard to communities, the outline of their plan is very clear when they affirm that they would like to:

Take a lead in creating a better life for the people and communities impacted by our business. Further extend our code of conduct throughout our value chain; be a good neighbour, support human rights and act in the best interest of children (*Ibid*).

As child labour is an unfortunate but real threat to manufacturing especially in developing countries, IKEA have developed a definitive guide which informs their decisions when it comes to the exploitation of children in the supply chain. The PPP 2020 paper states that;

Our commitment to children's rights is integrated throughout the company. We have a dedicated code of conduct for the prevention of child labour, The IKEA Way on Preventing Child Labour. It outlines our strict requirements on prevention of child labour in our supply chain and explains how we will act in the best interest of the children involved if any cases of child labour are found. We also support the safe and legal employment of young workers to support their development (*Ibid*, 2014).

In respect of the sourcing strategy and sustainable development vis a vis community development in the supply chain, which is what this study wishes to investigate, Vaishali Misra who is responsible for the Next Generation Initiative, a strategy within the CSR program that is related to sourcing from social enterprises that are located in developing countries, mentioned that they have decided to focus on "inclusion and diversity" as these are enablers for the achievement of the other sustainable development goals.<sup>6</sup> As part of the strategy, IKEA would like to engage more with people and the community, and in this respect, would like to focus on all marginalised groups that are located away from the market. As part of this engagement, the countries identified for the piloting of this project are Bangladesh, India, Indonesia, and Thailand.

Guided by the PPP 2020 white paper, Vaishali mentioned that

we wanted to see how we could bring people, community, and gender to the forefront. We realised that this can be achieved by partnering with social enterprises that fulfil key criteria, that of the social enterprise being led by women and 2), there should be inclusiveness in the supply chain and that these should be self-help groups and foundations that are demonstrating their ability to enact change within the communities they are located.<sup>7</sup>

Based on these, IKEA worked with the World Economic Forum (WEF) to identify potential partners that fulfilled these fundamentals, IKEA would like to embed them in their supply chain through a partnership, however not hold them to restraint of trade obligations, as they remain of the opinion that they would like to empower through trade and not charity.

#### 5.2.4 IWAY – IKEA Supplier Manual

Being an IKEA partner requires compliance with the IKEA supplier code of conduct which is called IWAY. It is a guideline on the systems and processes that govern the relationship between the contracting parties, and serves as a baseline compliance requirement for those wanting to supply IKEA. In 2000, IKEA launched the IWAY program and it is a constantly evolving document that acts a definitive guide regarding the way IKEA and its suppliers engage. According to IKEA:

The IKEA Way on Purchasing Products, Materials and Services (IWAY) is based on international conventions and declarations. It includes provisions based on the United Nations Universal Declaration of Human Rights (1948), the International Labour Organisation Declaration on Fundamental Principles and Rights at Work (1998), and the Rio Declaration on Environment and Development (1992) (IWAY 2015).

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<sup>6</sup> Interview with Vaishali Misra- See appendix 1

<sup>7</sup> *Ibid*

As part of the CSR and Sustainability strategy, IKEA mention that:

We want everyone to feel good about the products we sell, which is why we put a lot of work into our supplier relationships – and those relationships that reach beyond ours. There are about 600,000 people working for companies that directly supply IKEA around the world, and we want to be sure they are all treated fairly (*Ibid*).

IKEA have adopted a minimum standard that they indicate surpasses the normative definitions which prevail in the markets they operate. The IWAY manual is a comprehensive framework of stipulations that need to be adhered to by suppliers in order to work with IKEA. As part of monitoring and compliance to ensure that the guidelines are followed, IKEA conduct both announced and unannounced audits on their suppliers. This is achieved through the use of approximately 80 IKEA auditors, as well as independent third party auditors who conduct checks at suppliers and their sub-suppliers. According to Tomas Lundin, who is the sustainability manager at IKEA<sup>8</sup>:

IKEA compliance audits are performed every 12 months in Asia and 24 months for other regions. Audits are performed according to a global standard with many areas that are checked. If deviations are found, the supplier get (s) a certain time to correct. Before starting up a new supplier we assess them to make sure they can be compliant within 12 months. The standard is very comprehensive and exceeds in many cases the local legislations where IKEA has higher demands. Every time a deviation is corrected or that suppliers are compliance is considered to be a movement forward for co-worker health and safety, working environment, development of e.g. better energy management, better production yields etc.

Some of the key items in the IWAY manual include:

“- No child labour

- No forced or bonded labour

- No discrimination

- Freedom of association

- At least minimum wages and overtime compensation

- A safe and healthy work environment, preventing pollution to air, ground and water and work to reduce energy consumption” (IWAY 2015).

### 5.2.5 Stakeholder Partnerships

Some of the early work on the CSR and sustainability programs had begun through partnerships with NGO’s and UN organisations as IKEA indicate that they view this as the key to positively contributing to a change in society. A key aspect of this is the collaboration with stakeholders in order to develop policies that can influence the activities of their business in a more meaningful manner. It remains evident that communities in the supply chain are considered to be stakeholders as they affirm that they,

Strive to be a good neighbour and establish long-term partnerships with local communities where we operate; positively contributing to their economic, social and environmental development (PPP 2020, 2014).

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<sup>8</sup> Email Correspondence on 26<sup>th</sup> April 2016.

Some of these partnerships have generated significant results. An example of which is the release of the first environmental policy in 1991 after an internal report of their activities labelled them as “Environmental Gangsters”. This heralded the beginning of their first partnership with an NGO, when together with Greenpeace; they began printing catalogues using chlorine free paper and worked with them to eliminate the use of polyvinyl chloride (PVC) in their products. (Maon et al 2007).

In 1992, the case of child labour in Pakistan was documented in video recordings that showed children being used to operate weaving machines. In order to contain the reputational risk and do damage control, the business manager at that time suspended the contract with the factory which was involved and included a new clause in supplier contracts which forbid the use of child labour in any factory. It was at this stage that IKEA began their collaboration with “SAVE THE CHILDREN” in order to explore possible resolutions to the problems of child labour (*Ibid, 13*).

In 1994, there was another case of child labour, where children between the ages of 5 & 6 were shown to have been involved in the production of IKEA carpets since 1990, in Delhi, India. This led to immense pressure from all stakeholders, and a call was made for a boycott of the IKEA brand. Due to the overwhelming negative publicity that was generated by this, IKEA sought the assistance of stakeholders to salvage their reputation and took counsel from the ILO (International Labour Organisation) and UNICEF. In 1997, there was another report of child labour being used, this time in the Philippines and Vietnam factories. The contract with the supplier was also halted and the relationship with UNICEF intensified. Later that year, there was even further allegations of the use of child labour in India, which resulted in IKEA improving its monitoring of factories regarding the minimum age of those employed. In 1999, IKEA formally partnered with UNICEF to prevent the use of child labour and pledged to support families in their battle against poverty (*Ibid, 16*).

In 2005, IKEA partnered with the WWF (World Wildlife Fund) to launch the “Better Cotton Initiative”, a project that has transformed the way it sources the cotton used in the production of its textile based products. From a humble number of 500 small scale farmers, the Better Cotton Initiative (BCI) now has 43 000 farmers growing sustainable cotton under the BCI label. The scheme was initially started in Pakistan as a pilot and was subsequently expanded to India. The 37 000 farmers in Pakistan have over a period of 9 years, reduced their pesticide usage by 37%, utilised 21% less water and have reduced their dependence on fertiliser by 22%, and achieved better yields. From a social perspective, there has also been a 29% increase in the farmers’ gross margins, a weighty improvement in financial terms (WWF and IKEA project report, 2014, 9).

In India, this success has been replicated, demonstrating in some instances even better results. Whilst the reduction in water and pesticide use mirrors that of Pakistan, fertiliser dosing has decreased by 29% and gross margins grown by a noteworthy 45%. As a buyer of 0,7% of the world’s cotton, IKEA has invested almost Swedish Kroner (SEK) 125 Million in this project, helping almost 110 000 farmers adopt more sustainable methods of farming (*Ibid,9*).

Furthermore, this partnership has demonstrated that collaboration and the inclusion of all stakeholders in developing sustainable projects, can deliver better mileage than if firms were to go it alone. In the case of IKEA, business logic suggested that need to commit to

this project, as the foundation of their low cost model would have been disrupted by the need to use cotton from higher cost producers.

The objective at IKEA is to transform the cotton industry, a move that they view as important for ensuring that there is better social, environmental and economic benefits for all stakeholders across the spectrum. According to the cotton sustainability report, Mizuki Murai, the Cotton project Coordinator at WWF United Kingdom (UK), mentions:

We've made a big impact on the field through the WWF and IKEA projects, both on the health of the people and on the environment. We are ensuring sustainability by building the capacity of our local partners and the farmers themselves (Ibid, 13).

The Team leader for Cotton at IKEA, Pramod Singh concurred, indicating:

There are many social issues connected to cotton production in south Asia and the issues are a result of many inter-linked causes. It requires a long-term, integrated approach between many stakeholders to solve the issues (and) IKEA coordinate our cotton work with relevant partners to secure long lasting result (s) (Ibid,13).

There has been much praise from the project partner, WWF, regarding the commitment of IKEA to this cotton project. Hammad Naqi Khan who is WWF's Global Cotton leader was very positive in his remarks suggesting:

Many big companies give money to a cause and that's it. IKEA set a good example by being directly involved in the field and learning everything about every step in the supply chain. Few companies bother to do that, but IKEA was willing to dig deep into the nitty gritty details of cotton (Ibid, 13).

### 5.3 Rangсутra

Rang- Sanskrit रङ्ग (raṅga) (*Hindi spelling रंग*) derived from Sanskrit and Persian, means colour, dye or paint (SpokenSanskrit.de,2016). A **Sutra** (IAST: sūtra सूत्र) is a Sanskrit word that means "string, thread". According to Merriam- Webster, "Sanskrit sūtra precept, literally, thread; akin to Latin *suere* to sew (Merriam-Webster 2016). Rangсутra therefore means the sewing of colour.

The Rangсутra project was started by in 2006 by Sumita Ghose, based on a concept of it being a social enterprise. It began as Rangсутra Crafts India and consisted of 1000 artisans who each contributed SEK 160 and were given a quarter of the company in ownership. The concept is based on Rangсутra working with smaller units of artisans who are located in other parts of the country, often smaller villages which are in remote and far flung areas. These units are outsourced with work related to the production, design and sourcing of yarn, most of which is conducted from their own homes. According to Rangсутra, their:

Their goal is to ensure sustainable livelihoods for artisans and farmers by creating top quality handmade products, based on the principles of fair trade...Socially, Artisans come from some of the most disadvantaged communities, with very little opportunity for self-development and growth (Rangсутra, 2015).

According to the founder, they would like to invest in human resource development in communities that have no investment into their skill and educational development. She believes that this investment into enhancing their trade skills will go a long way into the

development of these communities. Rangsutra has not positioned itself as an NGO in need of aid or grants, but rather as a social enterprise in need of clients for its products. This is a departure from a charitable mind-set to one based on a commercial exchange governed by the concept of sustainable business instead. (Bansal, 2011).

According to IKEA, the collection produced by this initiative will be called “STADIGT” and will include 30 limited edition products. These collections will only be produced twice a year and are not considered to be a regular line item in the stores offering. Based on the People, Partner, and Planet 2020 strategy and with planned stores to open in India where local regulations have stipulated a certain percentage of local sourcing, it remains plausible that these lines could become a key item, and even be extended to include different ranges as IKEA launches its stores in India.

## 5.4 Poverty in India

India is the 2<sup>nd</sup> most populated country in the world after China, home to more than 1,26 billion people in 2014 ( Statista, 2015). It is also a country which has one of the highest poverty rates in the world, according to recent estimates released by the UN Report on the Millennium Development Goals, indicating that India accounts for 1/3 of the world’s poor (Bhowmick, 2014). Most of the poverty is located in the rural parts of India, which account for almost 70% of its population (poverties.org, 2013). In terms of geographical location, these deprived regions are in “parts of Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Orissa, Chhattisgarh, and West Bengal” (*Ibid*).

### 5.4.1 GDP Growth in India

Annual GDP growth rates over the past 10 years have varied between 4 – 10%, which is higher than the entire Organisation for Economic Co-operation and Development (OECD) countries over the same period (OECD, 2015), however the decrease in the poverty rate has been marginal. Compared to China which has reduced its TPR (Total Poverty Rate) from 60% in 1990 to 12% in 2010, India has fared less well, only achieving a 16,3% reduction in 16 years. According to the (OECD, 2015) the highest infant mortality rates in the world, were also in India, amounting to over 40 deaths per 1000 births.

### 5.4.2 The Dalit Community

The definition of poverty in India is contested as some author’s protest that these numbers do not include women, minority groups and the Dalits (Untouchables) and therefore could even be higher. The Dalits, a Sanskrit word meaning oppressed, is the name taken by those who are considered to be of a lower cast ethnic group and are discriminated against in all areas of Indian society, as they are considered to be outside of the traditional Hindu caste system (Oommen, 1984). The abject poverty which many of these Dalit communities find themselves in remains a growing concern as they are marginalised (Rao, 2010) and kept outside the formal economy. Whilst some do occupy higher positions, they still experience extreme prejudice. Dalits are frequently exposed to extreme forms of violence, whilst women suffer from rape and abuse at the hands of the upper caste men (Irudayam et al, 2006). According to the authors:

Vulnerably positioned at the bottom of India’s caste, class and gender hierarchies, Dalit women experience endemic gender-and-caste discrimination and violence as the outcome of severely imbalanced social, economic and political power equations. Their socio-economic vulnerability and lack of political voice, when combined with the dominant risk factors of being Dalit and female, increase

their exposure to potentially violent situations while simultaneously reducing their ability to escape (*Ibid*, 2).

Smita Narula writing for Human Rights Watch in 1999, mentioned that the level of discrimination that Dalits have to endure can be considered to be “India's "hidden apartheid" where entire villages in many Indian states remain completely segregated by caste. Furthermore:

Dalits are discriminated against, denied access to land, forced to work in degrading conditions, and routinely abused at the hands of the police and of higher-caste groups that enjoy the state's protection (Narula, 1999, 1).

The Dalits face further challenges when trying to break out of the cycle of poverty that has become a defining feature of their lives. There are amplified levels of atrocities committed against those who demonstrate social and economic mobility (Saikia, 2014). Whilst there has been an escalation in the “political and social mobilisation” in states such as Uttar Pradesh, this has not been extended to the Dalits. (*Ibid*, 61)

## 6. Results

This study set out to compare the CSR strategy of IKEA in line with the normative Swedish environment to assess if this same level of thinking is being replicated along the entire value chain. Stakeholder theory with elements of relationship and managerial theory were chosen as the most applicable explanatory tool, with which to support the proposition that a well-structured and implemented CSR program will lead to sustainable development. This is centred on the argument by (Harrison& Wicks, 2013; Freeman et al, 2014) that assert the centrality of cooperation in order for firms to realise broad based growth and development amongst all stakeholders.

As the essence of this study is to assess and measure the levels of community development that take place within the supply chain that is located in developing countries, the UNDP guidelines of Human Development were found be appropriate to be used as a benchmark. Since there was no field study conducted, the progress will instead be based on the empirical information derived from the interviews with both the project partners, and gleaned from other secondary sources.

### 6.1 Human Development Index

Human Development according to the UNDP, have two trajectories in terms of what they achieve. Firstly, there are “directly enhancing human abilities” which contribute to,

- A long and healthy life
- Knowledge
- A decent standard of living.

The other dimension is termed as “creating conditions for human development” and these are central to,

- Participation in political and community life
- Environmental sustainability
- Human security and rights, and
- Gender equality.



By appropriately using the above definitions as a guideline with which to measure the progress that CSR programs contribute to their supply chain, I envisage that deeper insight can be engendered regarding the sustainability of these engagements.

### 6.1.1 Long and Healthy life

According to Sumita, Rangсутra were required to make proviso for health insurance for everyone involved with the IKEA project, which was based on the stipulation of the IWAY guidelines:

As far health is concerned, of course we do the normal things like, have health insurance and accidental insurance... in fact our working with IKEA has helped us become aware of all this. Initially we said, O. ok... Not for another reason but because most of the women were home based workers so how do you arrange all that?! But now more and more, they have been coming into centres, so now we have to...So IKEA has this whole way of working called IWAY.<sup>9</sup>

*So this would have been non-existent otherwise?<sup>10</sup>*

This would have been non-existent... And then we do things like we have regular eye check-ups. This is minute work, so when you are doing things like embroidery, your eyes get... [hurt]<sup>11</sup>

IWAY required all employees to have their ages verified through proper identity documentation, in order to mitigate against the use of child labour. In order to fulfil this requirement, Rangсутra helped those involved in the company to apply and get the Identity cards, which they could now use to open bank accounts, which in India, affords the holder a small state health insurance as well:

And in the beginning it seemed very daunting, so we started with very basic stuff, like ok, so, no children should be working. So now it's very difficult, because [some are on the] borderline, girls which are 16 and 17 years old. So what it meant was, everyone who is working with us, they have to have an ID card. Now, a lot of women had no ID cards, so we helped them make [these] through the panchait, we opened their bank accounts for them” That came with some insurance, there this scheme with the government when you open an account in rural areas, you get insurance also. It's a health insurance; it's a small amount that the state provides.<sup>12</sup>

### 6.1.2 Knowledge

Sumita indicated that the improvement in the lives of those working with Rangсутra is patent. Whereas women were leaving school at an early age, the partnership with IKEA has yielded significant results. There are skill development programs which are run by IKEA for Rangсутra staff and shareholders:

For example, we find women with some leadership abilities and we hold these craft manager trainings which include leaderships and management basics stuff, mostly leadership.<sup>13</sup>

Employability through skill development was considered a key factor. According to Vaishali Misra:

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<sup>9</sup> Interview with Sumita Ghose – Stockholm Waterfront Congress, 3<sup>rd</sup> May 2016

<sup>10</sup> Question by interviewer

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> Ibid

One of the Key performance Indicators (KPI's) that is measured by IKEA to gauge the success of the program is the employability of those involved at Rangсутra. This is done on an annual basis and is an integral part of the Next Generation Initiative, where there is a focus on the need to educate the women".<sup>14</sup>

In this position, there is a great deal of skills transfer that takes place between the IKEA designers and the rural women, as they work together to implement new designs and then impart that knowledge onto the artisans that they manage (Husain, 2015):

The strategy from IKEA is to work closely with the partners on the ground and to open their world view in respect of the right democratic design principles, commercial appeal, and sustainable forms of production.<sup>15</sup>

In order to fulfil the orders of a large multinational, the Rangсутra women needed to be equipped with suitable skills with which to facilitate the export of the finished product;

We built it into the training to equip them to deal with the challenges with managing production and quality in villages. Because that's the biggest challenge! You know most of the export houses, are all based in towns and cities and factories and... at that point we were working with a 100% homebased women.<sup>16</sup>

### 6.1.3 Decent Standard of Living

The interpretation of a decent standard living is contextual and could mean different things in different places. The collection of data to adequately measure this in the Indian village context would best be analysed using income, expenditure, and consumption data which is a direct approach or the use of "Proxy data" which is an indirect approach (Health equity, 2015). Due to the exclusion of the former, the latter will be used based on the use of available data from primary and secondary empirical sources. The economic growth of the Rangсутra project in partnership with IKEA has contributed to the economic wellbeing of all those involved with it.

The next stage is once they [artisans] have been working with us for a year or so, we motivate, we encourage them to become shareholders so even from the Varanasi [Area in Northern India in the state of Uttar Pradesh], area, this time I think there have been 250 artisans that have become shareholders. So women become shareholders now in the company<sup>17</sup>

This suggests that growth in production will have a direct benefit on the lives of those involved as they are beneficiaries of the income derived from all sales:

It's been great learning experience for us and we have grown from those 5 000 cushion covers, and this one[ seconds order of the year] is 70 000 units...And it started with 3 stores because we couldn't make many and now it's gone up to at least 50 stores, or going to go up to<sup>18</sup>

This increase in income has contributed to an escalation in consumption as well:

That increases incomes, you know we haven't done a study, as such, we have not really managed to collect data, what shall I say, we have just been focused on

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<sup>14</sup> Telephonic Interview with Vaishali Misra – 4<sup>th</sup> May 2016

<sup>15</sup> Ibid

<sup>16</sup> Interview with Sumita Ghose – Stockholm Waterfront Congress, 3<sup>rd</sup> May 2016

<sup>17</sup> Interview with Sumita Ghose – Stockholm Waterfront Congress, 3<sup>rd</sup> May 2016

<sup>18</sup> Ibid

helping women to work, getting orders, so that's been the focus. But certainly there has been an increase in incomes... people are very keen to educate their children, especially their girl children. Especially women who have had no access to education want to ensure that their girls get educated, So that's been, in some cases, it may mean, so I am now able to spoil my child, or buy books, or help my child to go to a government school. In some case they think education is so important, they want to send their children to a private school, where the quality of education is supposedly better... (Laughs) I don't know about that but that's the thing.<sup>19</sup>

Far from being isolated, this is the normative these days according to the founder. A good indicator of the improvement in the living standard is the access to electrification in areas where sunlight was the only energy source:

We haven't really installed any solar powered lights ourselves. Solar lights require quite a lot of investments initially. So we are exploring ways seeing how we can get some funding. Some we put in ourselves, some if it's for the home, the women and men put in themselves.<sup>20</sup>

This is a reflection of the level of disposable income and also the contribution to the improvement of life at home, as electrification in villages that have historically had no power, is indeed a step in the right direction to achieving to sustainable development. Arguably, even better considering that it is from a renewable source.

Rural development is also a direct result of this project, which in the case of densely populated cities, is very positive:

A lot of the rural people, villagers I know...would prefer staying in their villages. I mean Delhi...! It polluted, I live in the city of Delhi, it's polluted, it's a nightmare. And if you don't have a decent place to live, why would you want to live in a slum!<sup>21</sup>

#### 6.1.4 Participation in Political and Community Life

In the quest to streamline efficiency, Rangstrut would like to develop production facilities that are located close to the village. They feel that this will bring women together to a common location where they are able to support and learn from each other, but also giving them the opportunity to come out of their homes. In the villages there is no electricity and buses to the larger towns usually only run once a day, which provides challenges for the women to return home:

Initially maybe we will start off with centres, at least the village centres get lit up. Then that place could be used during the day for the work that women are doing. In the evening, [it] could be used for something else, for other activities, you know it could be a [community centre], this is our idea ahead, that these could be good...So, I guess that the definition of development is when your Rural population moves to urban areas, but that's not necessarily... why should it be..?<sup>22</sup>

The increase in skill and income also suggests that there is an increase in the status of women:

For the women, it has been the first time earning of cash\_income and first time opening of bank accounts and you know all that, so that has been helpful not just

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<sup>19</sup> Ibid

<sup>20</sup> Ibid

<sup>21</sup> Ibid

<sup>22</sup> Interview with Sumita Ghose – Stockholm Waterfront Congress, 3<sup>rd</sup> May 2016

from an economic point of view but also from a social (aspect)...[it] Increased their confidence, mobility. The male weavers, they don't want to do this work that their fathers did. Whereas the women are happy...! Getting this opportunity to learn and take it ahead being based in their villages.<sup>23</sup>

### 6.1.5 Environmental Sustainability

The textile dyeing and finishing industry is a substantial user of water and 2<sup>nd</sup> largest water polluter after agriculture (Kant 2012). In India where water scarcity is rife, the conservation and management of this resource remains a primary concern. According to (Kant 2012, 23):

The daily water consumption of an average sized textile mill having a production of about 8000 kg of fabric per day is about 1.6 million litres. 16% of this is consumed in dyeing and 8% in printing. Specific water consumption for dyeing varies from 30 - 50 litres per kg of cloth depending on the type of dye used. The overall water consumption of yarn dyeing is about 60 litres per kg of yarn. Dyeing contributes to 15% - 20% of the total waste water flow. Water is also required for washing the dyed and printed fabric and yarn to achieve washing fastness and bright backgrounds.

The author (*Ibid: 23*) further mentions that:

It takes about 500 gallons of water to produce enough fabric to cover one sofa. The World Bank estimates that 17 to 20 percent of industrial water pollution comes from textile dyeing and finishing treatment given to fabric. Some toxic chemicals have been identified in water solely from textile dyeing, 30 of which cannot be removed.

The partnership with IKEA has enabled them to implement best practice solutions in order to refine their production facilities which have positive environmental outcomes:

We realised, we work with weavers who dye their yarn. And initially all were manually done in small tubs. As production grew, it couldn't be done manually, so we invested and they invested as well, in a small dyeing unit. And then we realised that there was a lot of water being used and thrown out after the dyeing, and it wasn't very much, not like an industrial scale, but still it sort of affected me. So we managed to talk to people and set up an effluent treatment plant there. Of course it had its challenges of running it properly in that remote part, but we have tried to do our bit that way. Because the one thing is that we do use water, is in dyeing. But with IKEA production they have linked us up with suppliers who are using all this technologies, whether it's an effluent treatment plant, whether its recycled cotton, better cotton, there's all those initiatives that we have learnt with working with a global supply chain like IKEA.<sup>24</sup>

This does remain a challenge as (Kant 2012, 24) further says that:

textile effluent is a cause of significant amount of environmental degradation and human illnesses (and) about 40 percent of globally used colorants contain organically bound chlorine a known carcinogen.

The amount of dyeing done is reduced and the extent of pollution mitigated to some extent, by the partnership with IKEA as Rangсутra have access to the fabric suppliers that

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<sup>23</sup> *ibid*

<sup>24</sup> Interview with Sumita Ghose – Stockholm Waterfront Congress, 3<sup>rd</sup> May 2016

IKEA have connected them to. These are industrial producers that have implemented rigid environmental controls in their production process in line with the requirements of IKEA.

#### 6.1.6 Human Security and Rights

The definition of Human Security put forward by the Commission of Human Rights (CHS), states

to protect the vital core of all human lives in ways that enhance human freedoms and human fulfilment. Human security means protecting fundamental freedoms – freedoms that are the essence of life. It means protecting people from critical (severe) and pervasive (widespread) threats and situations. It means using processes that build on people's strengths and aspirations. It means creating political, social, environmental, economic, military, and cultural systems that together give people the building blocks of survival, livelihood, and dignity. (CHS: 2003: 4)

The rights of individuals have been enhanced by the employment and self-esteem imparted to them by being involved in a project that rewards them fairly for their efforts:

The most important thing I think is their own self-worth. You know because, there's nothing like work which gives you dignity. Say like Eastern Uttar Pradesh (UP), around Varanasi, Mirzapur, and Gyanpur, [Areas in Northern India in the state of Uttar Pradesh], a lot of the men migrate from there to work in Mumbai, and Surat and the mills around there. And some of the men have managed to come back because their wives are working here, and are able to supplement (&) complement the family income so you know that's one thing...Initially the women were not allowed to come away. This is a residential training so you have to leave your home and come away for 5 days, and initially we have to convince their families, -send them, and now, there are other women who want to join. So their whole status, and initially first other women in the village made fun, -O look at her, she is going away, God knows what she is doing! But now she has got much more status, not just in her family but in the village also.<sup>25</sup>

“So other women want to become part of it, she has motivated others to join in. So in terms of when you look at HDI, in terms of the best impact as I said has been the social in terms of increase in confidence, increase in mobility, getting out of your home only where you have been stuck, you know opens up your world, like very little else does”.

#### 6.1.7 Gender Equality

Gender equality or empowerment has been one of the key components of this program. Rangсутra was founded by a woman with the specific goal in mind, to empower the women in rural villages. According to Vaishali from IKEA, the strategy behind the People and Planet, Positive 2020 strategy, was to include marginalised groups in developing countries by providing them with access to a market for their products, and the focus was on gender. Vaishali mentioned that:<sup>26</sup>

The specific criteria from IKEA was to address the inequality which existed regarding women and as such, the the partner organisations should be led by women and this should extend to the supply chain.

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<sup>25</sup> Ibid

<sup>26</sup> Interview with Vaishali Misra – 4<sup>th</sup> May 2016

Education amongst women in India lag behind that of the men by more than 20% and the school enrollment rates for women in rural areas has been around 8% ( Nair, 2010).

Moreover, literacy rates in Uttar Pradesh and Rajasthan are lower than the national average of 53.67%, compared to other parts of the country (*Ibid*, 2010). Some of the factors listed as being responsible for the lack of education amongst women in India, is rooted in “Gender Segregation and Stereotyping”, and also economic constraints. According to (Nair 2010, 103):

Families are also far less likely to educate girls than boys, and far more likely to pull them out of school, either to help out at home or for other socially induced normative considerations.

This is motivated by a traditional ideology amongst communities that view women as “child bearers and rearers” and “investing in the education of the male child is like an investment as the son is likely to be responsible for caring for aging parents” as opposed to educating a girl, whose role is viewed as being primarily reproductive. In terms of providing opportunities for dispossessed and vulnerable women, the partnership with IKEA has lifted morale and boosted their confidence. Furthermore, it has provided a support network for them from amongst their own communities.

The empirical data suggests that the approach adopted by IKEA in aiming to curtail the gender bias in India and therefore facilitate a more inclusive society, has been successful as part of their CSR strategy:

I had worked with rural communities but not specifically on employment but rather on more holistic [activities]...like human development goals related to health, education, clean drinking water, but sometime after the turn of the century, I felt that this was a good time as the market was opening up in the country and was a good time to focus on incomes and employment, and started working in Western Rajasthan which has a rich craft culture of embroidery and weaving... We worked for about two and half years on that project, skilling women, not only on craft but on handwork... the good thing we did right here [was that] we built it into the training...to equip them to deal with the challenges with managing production and quality in villages.<sup>27</sup>

So like in Varanasi, we are working with women who were not so highly skilled. There was no traditional skill. Yes, they did do some embroidery like every woman does for her home on the tablecloth to put a few flowers or the pillow cover to decorate it... But in the other two areas we work, which is Western Rajasthan, it is a traditional skill and there the women who did the embroidery, used...the embroidery to make presents for their daughters, to give when they get married... They make the most beautiful things to give to their daughters, so obviously that little would have continued, but to find a market for that and to use those skills in contemporary products which are not just decorative gift items but wall pieces but usable, so that's how we have managed to, what shall I say, to make it more market oriented. We had initially our doubts, will this be the right thing to do, will we be dumbing down the craft, but after talking to women, we found there was such a need, for employment to earn an income. Because they did not earn any income, because there are no factories, there are no businesses; there is nowhere where women can get work. They don't have the skills and even if there are any opportunities, they don't have the skills. For the women, it has been the first time earning of cash income and first

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<sup>27</sup> Interview with Sumita Gose – Stockholm Waterfront Congress 3 May 2016

time opening of bank accounts and you know all that, so that has been helpful not just from an economic point of view but also from a social (aspect) increased their confidence, mobility<sup>28</sup>.

Labour market participation is also hampered by the lack of opportunities and skills, two areas which the partnership with IKEA is beginning to alleviate. There are training programs and a Key Performance Indicator (KPI) of the Next Generation Initiative suggests Vaishali, is:

The need to educate women to become more employable which we measure on a year on year basis<sup>29</sup>. This is measured by considering how many women have been promoted into higher positions or moved out to start their own businesses.<sup>29</sup>

Sumita further states that:

So like in Varanasi we are working with women who were not so highly skilled. There was no traditional skill. But certainly there has been an increase in incomes and I think to a large, uhm, number... (Income) is spent on, A) people are very keen to educate their children, especially their girl children. Especially women who have had no access to education want to ensure that their girls get educated, So that's been in some cases... it may also mean...I am now able to spoil my child, or buy books, or help my child to go to a government school. In some case they think education is so important, they want to send their children to a private school, where the quality of education is supposedly better.(Laughs). I don't know about that but that's the thing.<sup>30</sup>

In terms of inclusion, the CSR project with Rangсутra has far reaching consequences beyond that of the obvious. According to Sumita, they are being approached by various women's groups that want to become a part of their enterprise. Some have been motivated by the success of Rangсутra and would like to join their co-operative. Sumita provided an example of a widower group that has been incorporated:

It's called [the] Manipur Women's Gun Survivors Network, actually they are victims of conflict. Manipur is a troubled state in the country...and a lot of the women, I think, most of the women are single in the sense that they have lost their husbands. They know weaving traditionally, like all girls know how to weave growing up. And some of them are weaving for the local market but mostly they have just been weaving for themselves or for friends or each other. They want to commercialise this, sell it in the market. So we managed to get a small, well not may not a small, quite a large order for them, not from IKEA but from Fabindia and let's see how it goes and then see maybe if we can link that up.<sup>31</sup>

The following two interviews were compiled using information extracted from secondary empirical data, and offer an insight into how the lives of village women have improved.

#### 6.1.7.1 Shanti Saroj- 31 Years old

Shanti is a craft manager at Rangсутra. She indicated that she had to leave school during her teenage years due to many hardships, which proved to be impediments in the

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<sup>28</sup> Interview with Sumita Ghose – Stockholm Waterfront Congress, 3<sup>rd</sup> May 2016

<sup>29</sup> Interview with Vaishali Misra – 4<sup>th</sup> May 2016

<sup>30</sup> Interview with Sumita Gose – Stockholm Waterfront Congress 3 May 2016

<sup>31</sup> Interview with Sumita Gose – Stockholm Waterfront Congress 3 May 2016

completion of her education. After moving to her current village subsequent to her getting married, she has remained here. The financial situation at her home had been bleak, and facing much hardship, she was hoping to find some sort of employment, that she anticipated would ease the burdens.

She was invited to join a group of 12 women that were going to start up a project where they would learn embroidery and stitching skills. After being involved with this group for about 3 – 4 months, they were told that they were going to be given further training and skills development in a different area. She was strongly dissuaded from pursuing this by her husband, indicating that it was instead lies and that she should not travel. Buoyed by a self-determination to make something of her life and improve the living conditions at home, she did go, after much arguments and speculation by villagers of her true intentions. Saroj mentions that she was given all-round training and learnt how to stitch, embroider and interlock. During this time, she was asked to embroider a blouse and upon completion was paid 1000 rupees (SEK 128) for the garment. According to Saroj, “my happiness knew no bounds... I was very very happy as I had earned it with my own hard work.” She mentions that those who were critical of her joining the cooperative have now joined themselves, and with her regular salary, she is able to spend money on her kids. She is very happy at being a productive person and being rewarded for it as she can now pay for “my children’s school fees, books, and clothes”. Her dream is for her children to progress in life so that they can follow whichever educational path they wish to. She doesn’t differentiate between her son and daughters, indicating that the girls are just as competent.

#### 6.1.7.2 Sulekah Bharti - 27 years old

Sulekah like Shanti has been married from a young age and is also a craft manager with Rangсутra. She is from the Nagar district in Uttar Pradesh and works at the Rangсутra workshop in Gyanpur. She has been with this social enterprise since 2012, after being recruited upon the completion of a training workshop. She mentions that her decision to work was faced with criticisms from her husband and in-laws, and other villagers as well. Bharti indicates that the money she makes from working with Rangсутra has empowered her. She works from July to September and then again from November to February as these are the peak production periods for meeting IKEA’s order, which totals about 55 thousand pieces during each production run. Sulekah has the option of either working from the factory or home and can choose the amount of hours that she would like to work. As a craft manager, Sulekah has about 20 people that she manages, and because of her more senior position, she learns new designs and then trains her subordinates. This job has empowered her to the point where she is able to have her own bank account and mobile phone. Saroj mentions that “Never in my life did I think that I would earn money or deposit money in a bank” (Husain, 2015). The success of the project has enabled Saroj to enrol her two children into private schools, and even pays for the education of her two sisters-in-law. She is a firm supporter of education and would like to see her family members lead a different life from hers.

## 6.2 Sustainable Development Goal Assessment

As the indices of the Human Development Index can be considered to be enablers for sustainable development, this section will not delve into detail due to the risk of repeating what has already been stated.

The CSR strategy as part of the PPP-2020 guidelines that IKEA is working with, has targeted inclusion and gender equality as they see this to be key drivers in the quest to



meeting the SDG's. When analysing the levels of development that have taken place in the communities, Table 2 below is an indicator of what effect the CRS program has had on the achievement of the SDG's. The illustration below serves as an indicator to assess which actions as part of the CSR strategy has had an effect on the specific SDG's by either contributing to their achievement or being a means of enabling some action on them.

Sustainable Development Goal	Enabled	Achieved	Sustainable Development Goal	Enabled	Achieved
1. No Poverty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	10. Reduced Inequalities	<input checked="" type="checkbox"/>	
2. No Hunger	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	11. Sustainable Cities & Communities	<input checked="" type="checkbox"/>	
3. Good Health	<input checked="" type="checkbox"/>		12. Responsible Consumption	Not Assessed	
4. Quality Education	<input checked="" type="checkbox"/>		13. Climate Action	<input checked="" type="checkbox"/>	
5. Gender Equality	<input checked="" type="checkbox"/>		14. Life below Water	Not Assessed	
6. Clean Water & Sanitation	<input checked="" type="checkbox"/>		15. Life on Land	Not Assessed	
7. Renewable Energy	<input checked="" type="checkbox"/>		16. Peace & Justice	Not Assessed	
8. Good Jobs & Economic Growth	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	17. Partnerships for the Goals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
9. Innovation & Infrastructure	<input checked="" type="checkbox"/>				

Table 2 – Representation of the impact on achieving the Sustainable Development Goals (SDG's) by the IKEA PPP – 2020 CSR strategy.

## 7. Discussion

The research purpose was to assess whether community development is taking place in a manner congruent with the definition of sustainable development as defined by the Brundtland Commission, in the supply chains of Swedish multinationals. In order to evaluate this, the CSR strategy of the selected case study was compared to the actual impacts on the value chains, using the Human Development Index indicators as a tool with

which to measure this based on the theoretical framework of Stakeholder Theory with an instillation of managerial and relationship theory.

Based on the assigned unit of analysis, the CSR and Sustainability policy at IKEA remains both a very ambitious but progressive document in terms of the areas of inclusion and the issues it wishes to address. They have adopted a stakeholder approach based on the definitions of stakeholder theory, with a combination of managerial and relationship elements included. The targets that have been set remain holistic in their scope and are meant to be a continuation of one single policy and vision in terms of its impact and effect. By extrapolating this policy against the outcomes on the ground we were able to consider whether the implementation of the strategy has yielded a positive outcome and how these are translated in terms of real benefit to the communities in line with the objectives of the Human Development Index and Sustainable Development Goals. Centred on the empirical evidence collected from the interviews with the founder of Rangсутra, Sumita Ghose and with the project leader for social enterprises at IKEA, Vaishali Misra, the relationship is based on a purely trading strategy removed from any notion of philanthropy. It is motivated by a clear commercial platform which firstly aims to increase the amount of sourcing that is taking place in India by IKEA, and secondly, to develop a pipeline of suppliers in the country and region, in anticipation of its launch there (Husain 2015).

Ericsson have under the umbrella term, “Technology for Good”, envisaged a close collaboration with other stakeholders to facilitate societal change in what they consider an increasingly networked society, By being able to identify what the key challenges are, Ericsson advances itself as a solutions provider by delivering the technology required to solve or at least, alleviate some of the challenges which communities face around the world. By partnering with NGOs and other stakeholders, we can apply the theoretical concepts of stakeholder and relationship theory to their strategy. However, the development of communities from the consumer end is different to that of those that are a part of the supplier network. This will need to be properly quantified before a detailed analysis can be offered.

There has been a project in the Democratic Republic of the Congo (DRC) where Ericsson has engaged in efforts to hire local staff as opposed to using expatriate workers, with the intention of developing a local skills base. In conversation with Anastasiya Nikolayenko, who is the head of resource management for Ericsson for the Region Sub Saharan Africa (RSSA), she indicated that Ericsson have been proactively working toward skilling local staff across Africa due to the high cost of recruiting expatriate staff. Whilst driven by economic motivation, it can be argued that this is a positive step toward community development, as these communities can now benefit from education and skill development programs. This would however need to be measured against the HDI metrics, to reflect on its impacts, which at this stage is not possible.

According to the Head of Responsible Sourcing at Ericsson, Maria Lindeborg, a need exists to collate the information regarding how community development is taking place in their supply chains as they do not have this information at present. Heather Johnson, who is a Director for Communication and Stakeholder relationships at Ericsson, mentioned that they have adopted a wider view with regard to sustainable development and have decided to see how they able to best address the goals of the SDG’s by offering solutions to larger networks of people.

The proposition from a stakeholder theory perspective suggests that on the basis of an inclusive growth and development strategy, there will be a realisation of the Human Development Index and vis-à-vis, the sustainable development goals in these communities. The indices that have been identified for measurement still remain relevant in any developing country context, and by reviewing how Ericsson has engineered solutions for poor rural communities, we can suggest further research is undertaken to adequately quantify this.

Whilst the initial contact with Rangstru was initiated through the IKEA foundation, which is its philanthropic division that primarily works together with its project partners like United Nations International Children's Emergency Fund (UNICEF), United Nations Development Programme (UNDP) & World Wildlife Fund (WWF) amongst others, this relationship then developed into something more substantial in terms of commitment and the transfer of skills and knowledge to this supplier and the communities working with them.

The relationship of four years with a constant increase in product orders remains significant in terms of the theoretical explanation regarding CSR, insomuch as it supports the view of stakeholder and relationship theory posited by (Carrol, 1991). The depth of the relationship is supported by (Freeman et al's, 2004) proposition that managers need to have a clear vision of their business model and the types of relationships they would like to develop with their stakeholders in order to achieve this goal. According to Vaishali from IKEA, their intent was to "target all marginalised groups that were away from the market in developing countries in line with the input from their product requirements".<sup>32</sup> Based on (Freeman et al's, 2004) explanation that ethics and responsibility are a fundamental aspect of commerce, IKEA then appear to be contributing positively to this, as they have embedded a moral action as part of their business strategy, not from a philanthropic intent, but rather a commercial one.

Vaishali further states:

Brand Capital Input from their clients indicated that they [clients] missed a sense of vitality and uniqueness when they visited IKEA, and look forward to seeing a newness in terms of the product offering.<sup>33</sup>

IKEA then identified the product fitting this need and instead decided to work with social enterprises. According to (Husain, 2015):

IKEA plans to expand its Next Generation initiative to other states once it opens its retail outlets. Its goal is to partner with social enterprises for almost all the services required at a typical IKEA store such as gardening, landscaping, assembling, logistics, cleaning, sewing fabrics, and so on. Food will be a big part of the initiative.

It can be argued that the underlying motivation for this expansion of local suppliers is in order to meet the requirements imposed by India for doing business in that country. (Husain, 2015) mentions that:

India's foreign direct investment policy for retail... has a rider, making it mandatory for multi-brand foreign retailers to source 30 percent of the value of goods from small - and medium-sized local suppliers. In 2014, it procured 315 million euros

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<sup>32</sup> Telephonic Interview with Vaishali Misra- Next Generation Initiative leader- IKEA - 4 May 2016

<sup>33</sup> Ibid

worth of goods from 48 Indian suppliers; it wants to increase this to 630 million euros by 2020.

But this is what (Carroll 1994; Freeman 2014) as part of their explanation of stakeholder theory assert, is the objective of the firm. They need to make a profit but they also have to remain cognisant of their ethical and stakeholder obligation while they do it. As opposed to adopting a people before profit or profit before people approach, it has instead gone for profit and people in the case partner studied. Furthermore, by listening to their clients who are stakeholders, highlights what (Harrison and Wicks, 2013,) argued that firms that provide more helpfulness to their stakeholders are able to maintain their contribution and backing.

A pledge from the partners to engage in a commercial venture was structured in a manner that reflected these intentions, which was good for both IKEA and Rangсутra. The initial order from IKEA was 5 000 units, and after 4 years, it is now reached 140 000. The Rangсутra collection was initially sold in 3 countries and 8 stores and is now offered in 17 countries and 81 stores, an improvement of over 1000% in less than 5 years. Of equal importance is the recognition by Rangсутra, of the limitations that characterise short term projects and their clear position that the engagement needed to be long term.

The provision of health insurance and the registration of all stakeholders at Rangсутra, based on the IWAY requirements, have facilitated the inclusion of all women into the healthcare system. The question of whether the entire family unit benefits from this insurance was not considered and can be analysed in future projects.

It is a remarkable feat considering that 4 years ago, these women were considered to be on the absolute peripheries of any society in India, arguably, in equal measure attributed both to social and economic discrimination. According to a study conducted by (Krishna, 2004, 43), he mentions:

In the context of India, it is often claimed, for instance, that more poor people belong to lower compared to upper castes and that poverty is disproportionately concentrated among scheduled castes (the former untouchables).

Over 50 % of the shareholders/employees of Rangсутra are from the Dalit community, the so called “Untouchables”, who face immense social and economic discrimination. The economic empowerment that has been realised from the Rangсутra project is supported by the fact that, members now have discretionary spending available to them. The economic benefit of such an improvement on the living conditions of those involved, when juxtaposed against the situation in Indian villages, reflects positively. In terms of the CSR plan delivering on its promise to improving the conditions of the communities with which IKEA is involved, their approach in this case is facilitating that improvement through a fair trade policy. It has contributed to the rejuvenation of heritage craftsmanship and afforded it the value embedded in its manufacture through the democratic design principle.

The McKinsey Global Institute, a global consulting firm, have developed an analytical tool called India Female Empowerment Index (Femdex) which is based on a set of 10 indicators that measure gender parity or inequality. The scores generated for Uttar Pradesh indicated extremely high levels of inequity whilst those for Rajasthan were slightly better, but still representing very high levels disparity. Moreover, literacy rates in Uttar Pradesh and Rajasthan are lower than the national average of 53.67%, compared to other parts of the country (*Ibid*, 2010). Some of the factors listed as being responsible for the lack of

education amongst women in India, is rooted in “Gender Segregation and Stereotyping”, and also economic constraints.

This narrative is being challenged at Rangсутra where the evidence suggests that the educating of women is being prioritised.

## **8. Conclusion**

This study set out to investigate whether the CSR models of Swedish multinationals that are located in developing countries, are actually contributing to community development in line with the Brundtland definition of sustainable development. In order to assess this, the outcomes were measured against the Human Development Index indices and to an extent, the Sustainable Development Goals.

When analysing the IKEA CSR strategy and the objectives it has set out to achieve through its People and Planet Positive 2020 vision, the partnership with the social enterprise Rangсутra, has yielded significant results. It is facilitating community development in a sustainable manner, whilst at the same time contributing to the enhancement of traditional skills and craftsmanship in rural areas and that has a causal effect on rural development.

The findings support the notion of stakeholder theory and how collaboration with clear objectives can and does enrich the development of marginalised communities in a mutually beneficial manner. IKEA has exported the flat pack version of CSR to its supply chain in developing countries. It is a low cost, progressive design that incorporates the elements of functionality with clear guidelines on how they should be structured in order to be effective. According to the Brundtland definition, the needs of the poor should be met, and in this case the results suggests this is evident in the IKEA- Rangсутra partnership

This project is not fully representative of the entire IKEA supply chain, and the information derived from these interviews is limited by the non-access to personal observations. However, the potential for this strategy to have a greater impact on the rest of the value chain is high. Based on the current level of engagement, if the model is extended across the supply network, the impacts of such an endeavour will be truly reflective of the Scandinavian model as proposed by the Nordic Council of Ministers.

As the Human Development Index is a widely accepted set of indicators which are closely correlated with the Sustainable Development goals, any progress in enabling them signals a positive step in the right direction towards achieving human development.

### **8.1 Future Research**

The average relationship with suppliers according to IKEA is 11 years, while the Next Generation Initiative has only been in operation for less than half of that. This is therefore not representative of a supply chain and the need to further this study is important for a number of reasons. Ericsson mentioned that they do not have the data required to measure the impact of their CSR and sustainability strategy on their supply chains. In terms of the material available for this topic, there is a significant deficit of academic research on this topic and an urgent need to measure whether the trade based model of Corporate Social Responsibility practiced by Sweden is actually contributing to sustainable social and

economic development or not. It would be best achieved by using a larger study sample comprising of different industries over a wider geographical area.

## **9. Acknowledgement**

This was the part I was most looking forward to writing and now I can't seem to find the words to complete it.

Seeing that the opening sentence that was planned, a dedication to my wife for being so patient has not materialised, I will begin differently.

In the first instance, I would like to offer my thanks to my creator, the almighty for giving me the opportunity to study in Sweden, and interact with some of the most interesting and generous people I have come to meet.

To my family- my parents and sisters, and my Gorifooi, for calling me every other day to ask whether I am busy with my thesis and when I will be returning home.

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My Syrian neighbours, Tarshanism and Mudheerism - For the regular invitations to those awesome brunches and dinners during the course of writing this paper. I guess I have to start cooking again now.

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### 10.3 Personal Communication

#### **Telephone interview 4<sup>th</sup> May 2016- IKEA**

Vaishali Misra – Initiative Leader Next Generation Social Entrepreneur

#### **Email 27<sup>Th</sup> April 2016- IKEA**

Tomas Lundin – Sustainable Product Sourcing Manager - Home Furnishings

#### **Interview Stockholm Waterfront Congress, 3<sup>rd</sup> May 2016 - Rangsutra**

Sumita Ghose – Founder and Managing Director

#### **Conference Call – 9<sup>th</sup> May 2016 - Ericsson**

Heather Johnson – Director of Stakeholder Relationships and Communication

Maria Lindeborg – Head of Responsible Sourcing

Camilla Goldbeck – Lowe – Head of Human Rights

#### **Telephone Call – 2<sup>nd</sup> May 2016 Ericsson**

Anastasiya Nikolayenko – Head of Human Resources (RSSA)

## Appendix 1

*Transcript of the interview held in a private meeting room at the Stockholm Waterfront Congress on the 10<sup>th</sup> May 2016, at the sidelines of the India – Sweden Business Exhibition.*

*Interviewee Sumita Gose (SM) Founder and Managing Director of Rangсутra*

*Interviewer -Irshaad Wadvalla (IW)*

Rangсутra was started in 2006 where SM had worked with rural communities but not specifically on employment but rather on more holistic...like human development goals related to health, education, clean drinking water, but sometime after the turn of the century, I felt that this was a good time as the market was opening up in the country and was a good time to focus on incomes and employment and started working in WR which has a rich craft culture of embroidery and weaving and where I had worked before. And after 5 years of working with that, we broke even, we work together with the pricing and costing and right up to selling. Which at that point we selling mostly through an Indian brand called Fabindia. And then 5 years down the line we entered into this project partnership with UNDP which was actually funded by the IKEA foundation and that's where I had met them. I had heard about them, but since there were no IKEA stores in India, I really didn't know that much about what they were doing. So that was a good chance meeting. And we worked for about 2,5 years on that project, skilling women, not only on craft but on handwork, the good thing we did right here. We built it into the training was also to equip them to deal with the challenges with managing production and quality in villages. Because that's the biggest challenge. You know most of the export houses, are all based in towns and cities and factories and here at that point we were working with a 100% homebased women. And after about 2,5 – 3 years after the project ended, we were very clear that we had to work it and it can't just be a training program because there have been millions of those done and it's no use if you don't continue it after. So we tried, normally what we do when we start working with a new group, we give them a small trial order which we try to sell ourselves through Rangсутra in Delhi or sometimes we participate in exhibitions, and at that time we also explored with IKEA about doing a small collection with us. And at that point, another thing we introduced then, so, being in India and being an Indian, me and my team knew what the Indian customer wanted, but we didn't know what the IKEA customer wanted. So we asked if we could have and we developed something called a co creation, workshop where designers from IKEA came and worked with our artisans and developed a range, this was the year 2013. And we had our first order of 5 000 cushion covers and it was quite a challenge, we made mistakes, both from the side of IKEA and ourselves in the sense that we used the colour white, the white fabric really got dirty, you know in the homes when the people took it home,(laughs), it is handwork, so that was the first learning opportunity, should I say, practical experience of implementing an order after all the theory and whatever little we had done with the women and managing production and quality. From there we grew, and IKEA was very sensitive to what was possible and what was not possible, because it was being produced not by machines but by people. So, we changed the product and fabric accordingly, the new fabric used was darker, then we also we learnt a lot in the process how to streamline our processes and things like traceability, where is this product from, labelling it properly, counting and ensuring artisans receive a minimum plus more wage, because otherwise what the point of doing all this. It's been a great learning experience for us and we have grown from those 5 000 cushion covers, and this one is 70 000 units.

*(ME) So that's 70 000 in a limited edition collection and from what I have read, you have two of those productions periods, so that's 140 000 units per year.*

SG Yes, that's correct.

And it started with 3 stores because we could make many and now it's gone up to at least 50 stores, or going to go up to.

(ME) So that's Sweden, UK, Italy, Switzerland, - And Germany also now. And though the relationship is young, IKEA says that when they have these limited edition runs, it increases the footfall into the store.

SG- O yeah? That's good!

ME ---And I was thinking and this is possibly a question that I will pose to them tomorrow, just to see what their side is. My understanding is that you have found this remote locations where this handicraft is literally passed on from generation to generation and potentially, if there is none of this, this skill would actually die off.

SG- So like in Varanasi, we are working with women who were not so highly skilled. There was no traditional skill. Yes, they did do some embroidery like every women does for her home on the tablecloth to put a few flowers or the pillow cover to decorate it or the garment. But in the other two areas we work, which is Western Rajasthan, it is a traditional skill and there the women who did the embroidery, used to use the embroidery to make presents for their daughters, to give when they get married.

IW- Jaa Haa

SG – Like a trousseau, and they make the most beautiful things to give to their daughters, so obviously that little would have continued, but to find a market for that and to use those skills in contemporary products which are not just decorative gift items but wall pieces but usable, so that's how we have managed to ( what shall I say,0 to make it more market oriented. We had initially our doubts, will this be the right thing to do, will be dumbing down the craft, but after talking to women, we found there was such a need, for employment to earn an income. Because they did not earn any income, because there are no factories, there are no businesses, there is nowhere where women can get work. They don't have the skills and even if there are any opportunities, they don't have the skills. So this in a sense has given all the women we work with and some of the men as well. The men, some of them have been working from before, as weavers or tailors, but we have just given them regular work, but for the women, it has been the first time earning of cash income and first time opening of bank accounts and you know all that, so that has been helpful not just from an economic point of view but also from a social (aspect) Increased their confidence, mobility. So after the first set two rounds, we decided to get women to come to centres to work, that was a challenge initially, they did not want to come and we had to really motivate them. So we said we pay on the one hand, fair and you come there and you work first for 3hrs and 5hrs and gradually the whole 8 hrs. And now they all, wherever have started centres, women come to work there.

IW – And your centres that you would start, you identify these remote locations, because my understanding is that, uhm, is every unit involved in the IKEA Process or only certain units.

SG\_ No only certain are involved.

IW- Ok, so when you put up a production centre, would you say, well from a logistics perspective I would presume you would put up a centre very far from the village or close enough to the villages?

SG- Ideally we would like to be placed in a big village or a town, because there you have electricity and B, you have places that you can rent, whereas in villages you don't have common buildings. But the reality is, especially in western Rajasthan, the women find it very difficult to get out of their village to come to another place to work, because there are buses only once a day because then they are not going to be able to do that. We have tried out best to try and start centres in the villages itself, so women don't have to take a bus or a, you know, any other means of transport or can cycle there. In eastern Uttar Pradesh (UP), where the village are , its more densely populated, there people are able to go from one village to another easily or from the village to the town, where we have in two towns we have district Headquarters, we have centres. So they come there and work, some cycle, some take a bus, some take a shared auto. At certain items we have these autos which can pick up women from home, so like that. So it's really helped in improving productivity. Because at home you know what happens, is that they, you know people disturb them, so if they are working, some child will come and say, "he wants something," someone else will come and say, "there is a guest". So this way, and it also helps because this way then they also have support from other women and they learn from each other and it's a nice space for them to get out of their homes.

IW –Ahaa, interesting, so if we go now to the HDI. These were women who have never had an opportunity, and when I read the article, it said, "we couldn't believe, we didn't consider depositing our own money into a bank account." It wasn't even an idea, and suddenly they now empowered with this. Do you see this, is a commonality across all units, that once they become a part of Rangсутra, where the skills that have now been imparted and taught to them, has lifted them in different ways?

SG – O yes. The most important thing I think its their own self-worth. You know because, there's nothing like work which gives you dignity. Say like Eastern UP, around Varanasi, Mirzapur, and Gyanpur, a lot of the men migrate from there to work in Mumbai, and Surat and the mills around there. And some of the men have managed to come back because their wives are working here, and are able to supplement (&) complement the family income so you know that's one thing. SO initially the women were not allowed to come away. For example, we find women with some leadership abilities and we hold these craft manager trainings which include leaderships and management basics stuff, mostly leadership. This is a residential training so you have to leave your home and come away for 5 days, and initially we have to convince their families, "send them", and now, there is other women who want to join. So their whole status, and initially first other women in the village made fun," O look at her, she is going away, God knows what she is doing! ", but now she has got much more status, not just in her family but in the village also. So other women want to become part of it, she has motivated others to join in. So in terms of when you look at HDI, in terms of the best impact as I said has been the social in terms of increase in confidence, increase in mobility, getting out of your home only where you have been stuck , you know opens up your world, like very little else does. B, there is an increase incomes. That increase incomes, you know we haven't done a study, as such, we have not really managed to collect data, what shall I say, we have just been focused on helping women to work, getting orders, so that's been the focus. But certainly there has been an increase in incomes and I think to a large, uhm, number, I think informally when there are visitors or when myself and staff go, (Income) is spent on, A, people are very



keen to educate their children, especially their girl children. Especially women who have had no access to education want to ensure that their girls get educated, So that's been, in some cases, it may mean, so I am now able to spoil my child, or buy books, or help my child to go to a government school. In some case they think education is so important, they want to send their children to a private school, where the quality of education is supposedly better.. (Laughs) I don't know about that but that's the thing,

As far health is concerned, of course we do the normal things like, have health insurance and accidental insurance,

IW- So Rangutra provides this?

SG- Yes, and that in fact our working with IKEA has helped us become aware of all this. Initially we said, O. ok? Not for another reason but because most of the women were home based workers so how do you arrange all that. But now more and more, they have been coming into centres, so now we have to. So IKEA has this whole way of working called IWAY. And in the beginning it seemed very daunting, so we started with very basic stuff, like ok, so, no children should be working. So now it's very difficult, because you this borderline, girls which are 16 and 17 years old. So what it meant was, everyone who is working with us, they have to have an ID card. Now, a lot of women had no ID cards, so we helped them make through the panchait, we opened their bank accounts for them. That came with some insurance, there this scheme with the government when you open an account in rural areas, you get insurance also.

IW- So this insurance is like a health insurance that the state provides?

SG – It's a health insurance, it's a small amount that the state provides. Plus we have got accident insurance for the workers who come to the centre and other medical insurance also in case of any hospitalisation.

IW- This would have been on existent...?

SG- This would have been non-existent and we were. And then we do things like we have regular eye check-ups. This is minute work, so when you are doing things like embroidery , your eyes get... so these are the education, health in this way and of course incomes and confidence. Then the next stage is once they have been working with us for a year or so, we motivate, we encourage them to become shareholders so even from the Varanasi area, this time I think there have been 250 artisans that have become shareholders. So women become shareholders now in the company. So that in a sense, they are also workers, they are also shareholders, so this in a sense is a good balance of rights and responsibilities. So initially I used to get phone calls in the beginning when we first started, from women and men who were shareholders and they would say," you know we became a shareholder but we have no work"... so it became a responsibility for us to ensure work. On the other hand it became a responsibility for them to do the work on time. Because that's another challenge we have, in villagers there are, it could be a death, which means the entire village will not work for 15 days. So things like that, it difficult to change overnight. So in that sense because we have large numbers of artisans, it sorts of balances out. Or if there is harvest season, a lot of the artisans also work in agriculture. So they have this one raidn fed crop, which they take and others times, they are doing the craft work. So it's a good balance.

IW- Is this their own crop?

SG\_ In some instances it is their own crop and in some instances, they work on other people's land. In some cases it's their own small plot of land.

IW- So essentially, then by being a part of the Rangсутra co-op to some extent you can mitigate to an extent if there is no work, because there can be another unit that pick up part of the other. And vice versa, if there was an occasion as it were in this unit, then another unit would pick it up. So as you say, it's almost a balance between the two. Whereby had they not been a part of this co-op, it would have just been out of work and somebody would have perhaps shifted the order to another company.

SG- Yes, to someone else and kept it.

IW- That's interesting from a cultural perspective. The cultural heritage is being respected from this setup. Which is quite important.

SG - Yes, and in fact this is one of our guiding principles. Respect for the producer and the customer. That's actually something which I have learnt from our Indian Brand called AMUL, (Anand Milk Union Limited). Have you heard of them? They are milk cooperative. A union of Milk producers. Then the other thing is tradition and contemporary. Not just throwing tradition out but seeing whatever is from continuing that and what doesn't work. For example, I remember once there was this group that was selling solar lights, and we went to one village at about dusk time and this person who came from delight. First we met with the men who were weavers, and since it was getting dark, you could this solar light was very effective. So the men look at it and laughed and said, "No, we really would want it" so, I was surprised and asked "why?", and they were like, "you know, we work all day, so why would we want to work in the evening." So I had no answer to that, because I respect that, because you know this whole culture of that we have, *I see in India now, especially the multinationals, a lot of them, not necessarily IKEA, which is more I think disciplined in its working, but you find it in the banking sector, you find it in a lot of these, where people work till 9'o clock at night, 10 o clock at night, and then they talk about work life balance.* So here is a community that has it. But after that we talked to women and children who said the opposite. The children because they could study, and the women, because their work doesn't stop when the sun sets, because they are cooking and also when they have some time to do their craft work when the kids are asleep. So again there's a lot... The trick what we found is to be flexible, when( 25:35) I mean we have not have any we don't necessarily follow any strategy just a simple goal that we have to ensure work for all these artisans, design some great products, get market, fulfil those orders, do what it takes.

IW- So that leads into the next point which is PPP> So this new orders lead to a direct injection into their liquidity and

SG - yes definitely!

IW- and from what I have read and you have mentioned, there is this vigour to spend on their kids and buy school books and clothes etc., Do you see this across all of your units?

SG- Uhm, so we work mostly Western Rajasthan and Eastern UP where I see this there. We have started in Manipur just last year and they are going to be starting their first order, hopefully by June they should have the Yarn. There of course we are working with weavers so it's a longer process. There they have to weave the yarn and get the Fabric. There that is a more remote part of the country, it is very difficult to source the yarn even

to weave the fabric, and its so far away from us that we can't do those regular monitoring from Delhi. So the way we work is very organically. WE started off in Western Rajasthan with people I had worked before and there was a mutual trust and understanding. Eastern UP happened because of this connection with UNDP and IKEA. Manipur happened because having worked in the Non-profit organisation sector before, and also with Rangsutra's experience over the last 10 years, many rural groups comes to us, especially from the Non-profit organisation sector who do a whole lot of other work also. Like this Manipur, it's called Manipur Women's Gun Survivors Network actually, they are victims of conflict. Manipur is a troubled state in the country. So they are victims of conflict and a lot of the women, I think most of the Women are single in the sense that they have lost their husbands. They know weaving traditionally, like all girls know how to weave growing up. And some of them are weaving for the local market but mostly they have just been weaving for themselves or for friends or each other. They want to commercial this , sell it in the market. So we managed to get a small, well not may not a small, quite a large order for them, not from IKEA but from Fabindia and lest see how it goes and then see maybe if we can link that up.

IW – Fantastic

SG- There we will follow the progress in a little more organised way to see how incomes are increasing.

IW- Its interesting, because the more you speak, I have this picture in my mind, of this very...coming from SA, I have been exposed to many of the very rural villages, and I can picture these very dusty and when darkness comes, SG- Yes, exactly, IW you can't see anything, literally life revolves around the sun. When the sun goes up, everybody is alive and when the Sun goes down, every goes to bed. Which is great in certain respects, but when you know talk about the child, and working at night. By bringing your sort of this order, they need to meet this expectation. So now what I can see, is they have the installation of electricity or solar powered lights of the whole village is improving because of this

SG- Well we haven't really installed any solar powered lights ourselves. Solar lights require quite a lot of investments initially. So we are exploring ways seeing how we can get some funding. Some we put in ourselves, some if it's for the home, the women and men put in themselves. But initially maybe we will start off with centres, at least the village centres get lit up.

Then that place could be used during the day for the work that women are doing. In the evening, if needed for work, but could be used for something else, for other activities, you know it could be a, this is our idea ahead, that these could be good. Because you know what's happening in our country is that, and I think this is true with other, but I don't know much about other countries, but there is a lot of focus on cities. I was debating with our person from the Indian Govt where talked about this Industrial corridors that they are building from Bombay to Delhi and Delhi to Chennai. But the villages we work in are like noo waaay near it. So, I guess what the definition of development is when your Rural population moves to urban areas, but that's not necessarily...why should it be..? A lot of the rural people, villagers I know, are very, you know they would prefer staying in their villages. I mean Delhi...! It polluted, I live in the city of Delhi, its polluted, it's a nightmare. And if you don't have a decent place to live, why would you want to love in a slum! Of course there are a lot of younger men, who want to get out of villages mostly,

you know they don't find anything interesting to do in their villages, so they rather go out. So we find a lot of young weavers we are losing out. The male weavers, they don't want to do this work that their fathers did. Whereas the women are happy...! Getting this opportunity to learn and take it ahead being based in their villages.

IW- that's a very interesting thing, because I read something yesterday as well about a village in Italy where everybody have moved out and houses had been shuttered. Now the Refugees had moved in and bought life back to the village again. And the mayor says there are now 2500 people there and the village is alive again. And this being back to what you said about men moving back from the cities and working with their wives, this backward migration. Its rejuvenating the villages again and is a positive development.

Environmental

IW - I'd like to ask about the environmental aspects of this work. You are using a lot of colouring, a lot of dyes, how do you manage that? Do you have certain policies that dictate water usage etc.?

SG – Well we realised, we work with weavers who dye their yarn. And were initially all manually done in small tubs. As the production grew it couldn't be done manually, so we invested and they invested as well, in a small dyeing unit. And then we realised that there was a lot of water being used and thrown out after the dyeing, and it wasn't very much, not like an industrial scale, but still it sort of affected me. So we managed to talk to people and set up an effluent treatment plant there. Of course it had its challenges of running it properly in that remote part, but we have tried to do our bit that way. Because the one thing is that we do use water, is in dyeing. But with IKEA production they have linked us up with suppliers who are using all this technologies, whether its an effluent treatment plants, whether its recycled cotton, better cotton, there's all those initiatives that we have learnt with working with a global supply chain like IKEA.

IW - so now you are embedding sustainability into your strategy from the beginning as opposed to adding it on later.

SG -Yes, Because we are new to the game, we may as well learn from what everyone has been doing. (Best practice)

IW- That's fantastic.

Ends.



