Corporate Governance & Corporate Social Responsibility as Resources in S-D logic for Values Based Service Business
- *An explorative study of IKEA, Starbucks and H&M*

1. Introduction

The notion that a service culture, grounded in company core values based on Corporate Governance (CG) and Corporate Social Responsibility (CSR), drives business development has not been empirically examined in any great detail. The focus is on how values contribute to the creation of value in context and thus values based service business. Values are viewed as an operant resource being integrated with other resources in value co-creation. Values are important for the creation of meaning and legitimating among actors (Giddens, 1984; Edvardsson et al 2011). Values resonance and values dissonance may have a major impact in resource integration, value co-creation and value in context. The aim of this paper is to introduce values linked to CG and CSR and to service-dominant logic (S-D logic) focusing on how values shape actor's resource integration, value co-creation and the resulting value in context. Several authors have argued that a broader view needs to be taken of the relationship between business and ethics; for instance, Freeman et al. (2004) insisted that business and ethics are inextricably connected, and Selznick (1994; 1996) argued that governance is more than management and should take account of all the interests that affect the viability, competence, and moral character of an enterprise. In a similar vein, Laczniak (2006) suggested that S-D logic should be expanded to include societal and ethical dimensions, and Abela and Murphy (2008) have contended that S-D logic can be a positive development for marketing ethics because it facilitates the seamless integration of ethical accountability into marketing decision-making.

The present exploratory study adopts a similar perspective to these authors but also goes even further in undertaking an investigation of the role of CG and CSR as resources in S-D logic for giving direction for a new type of Business Model which is values based (Edvardsson and Enquist, 2009). This paper focuses on the interdependencies that exist between CG and CSR in exploring how core company values with regard to social and environmental issues are brought into alignment with values of customers to achieve 'values resonance' (Ibid) and how this also are in alignment of 'license to operate' an enterprise (De Geer, 2009) which go back to the vision and mission of the company (Edvardsson and Enquist, 2009; Ferriera and Otley, 2009). The study also examines the role of external stakeholders, such as non-government organizations (NGOs), whose pursuit of their own values leads to them acting as 'corporate watchdogs' in relation to ethical CG and CSR (Sebhatu, 2010).

According to Palmisano (2006), businesses are changing in fundamental ways—structurally, operationally, and culturally—in response to globalization and new technology. As a result, larger companies are no longer 'multinational corporations'; rather, they have become 'globally integrated enterprises'. The paper is based on a four years research journey that resulting in the book *Values-based service for sustainable business –lessons from IKEA* (Edvardsson and Enquist, 2009) and since then the ongoing research focuses on 'values-based service business' (ibid.). Three companies have been selected as our host-cases: IKEA, Starbucks and H&M. These companies have innovative entrepreneurs and distinctive business models which also include the social and environmental perspectives for innovative service business. They have been retained and developed over decades through the dissemination of the entrepreneur's values throughout their organizations and further developed these values into CSR business cases as driving force for service innovation (Edvardsson and Enquist, 2009; Sebhatu, 2010). All three companies have also gone through the global recession and have to shape their business model to be more values based. Starbucks is the latest of these companies "fought for its life without losing its soul" quest for a more "disciplined growth" around coffee and a values-based organization (Schultz and Gordon, 2011).

The paper provides a theoretical framework for the study by discussing pertinent aspects of the main concepts: CG; CSR; S-D logic; role of external stakeholders and the multidisciplinary approach. The paper then describes the new values based business model. The methodology and case studies of the empirical study with the findings are discussed. The study concludes with a summary of five common characteristics of the case studies with regard to how corporate governance and CSR contribute to value-in-use.

2. Theoretical framework
2.1 The dialect of CG and CSR

The term CG has become everyday usage in business and financial communities since the 1990's (Carlsson, 2001; Malin, 2010) and is a global phenomenon focusing on securing shareholder value (Carlsson, 2001; Enquist, *et al*., 2006). Parallel with this trend the term CSR has also become a common concept and a global phenomenon during the 2000th. CSR can be seen as "a market for virtue" (Vogel, 2005) and in its light version a market activity for "green washing" (ibid.) but it can also be an important part in a new type of business model where CSR can be used as a proactive strategy for service development and service innovation (Edvardsson and Enquist, 2009) as a resource for creating stakeholder value (Enquist, *et al*., 2006). The "triple bottom line" agenda for business and governance of institutions was also a description of the convergence of the CG agenda with wider societal concerns (Elkington, 2006). CG is the relationship between the corporation and the stakeholders that determines and controls the strategic direction and performance (Luo, 2005). CG has also a *stakeholder perspective* that defines the imperative for companies to voluntarily integrate social

and environmental values with their standard business operations (Enquist et al., 2006). In other words, recognition of the importance of CSR is derived from recognition that an organisation is accountable for its impact on *all* relevant stakeholders. Moreover, a stakeholder perspective stimulates pressure for change in transforming business thinking to include social values because a commitment to CSR is perceived to enhance opportunities for the co-creation of value with relevant stakeholders in the long term (Edvardsson and Enquist 2009; Prahalad and Ramaswamy, 2004; Zadek, 2004). A values-based business is thus perceived to be better placed to create customer value, and thus to become a sustainable service business (Enquist et al., 2008; Edvardsson and Enquist, 2009).

2.2 CG and CSR from a multidisciplinary approach

Service research mostly takes its position from marketing research. To come closer to concepts as CG and CSR we need a broader view and a multidisciplinary approach. CG and CSR are related to steering and navigating in a business landscape with inspiration also from the accounting literature (Enquist and Johnson, 2011). There is a distinction between governance and management which is not so clear in service research. Governance has to be separated from management but both concepts can be seen as a continuum (Selznick, 1994;). Gummesson (2006) is critical about the axiomatic pillars of marketing and argues that a broader view is needed beyond maximization of short term profit. Stabell and Fjeldstad (1998) elaborate on value configurations according to different value creation logics: the value chain and the value network (ibid.), a value network driven by S-D logic is less hierarchical and more collaborative than a value chain driven by G-D logic (Enquist et al, 2011). In the accounting literature Simons (1995) come up early, in the conceptual manner, with a model for building a control system "Levers of control"; a broad approach for steering and navigating in a more complex business landscape. Simons (1995), address on "how managers use innovative control system to drive strategic renewal" with help of four key concepts:

- Core values are controlled by the **beliefs system**
- Risks to be avoided are controlled by the **boundary system**
- Critical performance variables are controlled by the diagnostic **control system**
- Strategic uncertainties are controlled by the **interactive control system**

The core values are related to the beliefs system in CG concerning the values of the founder and corporate values in balance to the social, environmental and ethical values in CSR for foundational values (Waddock and Bowell, 2007; Edvardsson and Enquist, 2009) where the interrelated CG and CSR principles and values will be related to the vision and mission (Edvardsson and Enquist, 2009) as well as to the license to operate (De Geer, 2009). *The risk to be avoided* is related to the boundary system in CG for corporate, national and global. CG codes in balance with the boundary system in CSR by voluntary CSR code of conducts to secure ethical, social and environmental behaviour in operation for the whole value network for the globally integrated enterprises. *The critical performance variables* controlled by the diagnostic control system will be

different in SD-logic compared with GD-logic. It is important to follow key performance indicators for resources in accordance with a balanced set of social, environmental and economic perspectives (Enquist *et al*, 2011). *The strategic uncertainties* are controlled by the interactive control system which is based on open sources for a stakeholder dialogue (Enquist *et al*, 2006) in a values based organization (Pruzan, 1998; Edvardsson and Enquist, 2009) based on disclosure (Puxty, 1993) in opposite for an organization based on command and control. A values based service business is embedded in a social and environmental context (Edvardsson and Enquist, 2009) and that will have impact on steering and navigating in the business landscape (Enquist and Johnson, 2011).

2.3 The role of external stakeholders

The above discussion suggests that the creation of sustainable value in today's competitive context, can be facilitated by integrating stakeholders from the wider society—such as non-government organisations (NGOs) and citizens—as potential business partners, rather than treating them as illegitimate adversaries (Waddock, 2008). In recent years, NGOs of various types have assumed an increasingly influential role in corporate life (Sebhatu, 2010; Teegen et al., 2004; Sjöström, 2008). Such NGOs are formed by individuals who coalesce around common ideas, needs, or causes with a view to a collective mobilisation of resources in support of their common interests (Sebhatu, 2010). Several of these NGOs have raised awareness of social and environmental issues that impinge upon CG and CSR. As Waddock (2008) has observed, the significance of these actors is that they effectively force companies to be responsible, accountable, and transparent with regard to moral and social issues. Their role as 'corporate watchdogs' has become more prominent since the late 1970s in parallel with a growing belief that businesses should be more socially responsible (Sebhatu, 2010). In this regard, Baron (1995, 2001) contended that some socially responsible activities of business represent an altruistic commitment to CSR in the absence of pressure groups, whereas others represent a profit-maximising response to the threat posed by pressure groups. In particular, the increasingly prominent role played by NGOs in support of sustainable development has transformed the mindsets of entrepreneurs and senior managers regarding the importance of communicating corporate values and implementing CSR strategies through proactive thinking (Sebhatu, 2010).

2.5 Towards a new business model for values based service

In our investigation of the role of CG and CSR as resources in S-D logic for giving direction to a new type of Business Model, we will from a theoretical point of view reflect upon the shift of concepts as part of a new business model for values-based service. In section three, we describe, in an explorative way, how the three integrated global enterprises are working in practice.

Static Model	New- Integrated Business Model
Control Based	**Values based**
GD-Logic	**SD-Logic**
Value chain	**Value network**
TQM	**TRM**
Hype communication	**Interactive Communication**

Table 1: The Shift to New Business model of values based service.

From control based to Values based

The term 'control-based' business model refers to a short-term focus on financial results, whereas the 'values-based business model' shifts the focus from a short-term preoccupation with financial matters to incorporate long-term, values-driven governance principles and key performance indicators. In such a 'values-based business model', the core company values, foundation values (that is, the company's social and environmental responsibilities), and customer values drive the financial and other business goals (such as growth, customer satisfaction, and risk) (Edvardsson and Enquist, 2009). Pruzan (1998) has criticised traditional shareholder accountability and its preoccupation with the financial bottom line for a failure to develop value-based thinking among senior management. Other authors have contended that the desire to focus all relevant information onto the financial bottom line is actually a tactic to simplify what would otherwise be complex management decisions (Edvardsson and Enquist, 2009; Vargo and Lusch 2008).

From GD-logic to SD-logic

According to Edvardsson *et al.*, (2005), 'service' is better understood as a perspective than as an activity. Vargo and Lusch (2004, 2008) adopt a similar view, in arguing that value is defined by, and co-created with, customers, rather than being embedded in the output of specific products or service attributes. G-D logic is essentially based on the traditional view that business transactions involve the value that is embedded in units of output (usually manufactured goods) through the use of so-called 'operand' resources (tangible physical resources). In contrast, S-D logic is primarily concerned with the value that is co-created with customers during service interactions through the use of so-called 'operant' resources (knowledge and skills). Comparatively little attention has subsequently been devoted by scholars and practitioners to the important role played by values in creating value for customers and other stakeholders (Edvardsson and Enquist, 2009). As argued by several researchers (Edvardsson and Enquist, 2009; Enquist et al., 2008; Abela and Murphy, 2008; Gummesson, 2006),

what is missing is a holistic view of sustainable development as an integral aspect of a company's core business strategy to obtain bottom-line benefits and create value for its stakeholders.

From value chain to value network

Stabell and Fjeldstad (1998) elaborate on value configurations according to different value creation logics, and argue that *value chain* is about transformation of input activities of long linked technology into products. *Value network*, on the other hand, creates value by facilitating a network relationship between the organizations and their customers, using a mediating technology (ibid. p. 414-415). Normann (2001) had observed that a value network is inherently "richer but more complex" than a supply chain driven by G-D logic. According to Vargo and Lusch (2010), a 'value creation network' is built upon loosely coupled social and economic actors who interact through institutions and technology, and are held together by "the trinity of competences, relationships and information" (ibid p. 21). Value network driven by S-D logic is less hierarchical and more collaborative than a supply chain driven by G-D logic (Enquist *et al*, 2011).

From TQM to TRM

TRM is described as an approach for creating efficiency through its ability to integrate and adopt different systems and measurements to ensure responsible business practices and management (Waddock and Bodwell, 2007). A similar evolution, to the TQM movement of 1980´& 90', is occurring with respect to managing a company's responsibility for labour, human rights, supplier, customer, ecological and related stakeholder practices and those companies are responding by developing responsibility management systems comparable in many respects to quality management systems already in place (Waddock et. al., 2002). TRM is a main departure of management towards change. It demands open articulation of the values that underpin corporate practices, demonstrated integrity in living up to those values, and reports on performance with respect to implementation of those values (Waddock et. al., 2004). Companies are responding to the pressures from external stakeholders by accepting greater corporate responsibility by developing systemic approaches to managing the balancing of all these responsibilities (Waddock et. al. 2002).

From Hype communication to Interactive Communication

The concept of Social Media is top of the agenda for many business executives today nowadays. Social networks especially have becoming new phenomenon on how companies communicate (Kaplan and Haenlein, 2010). Internet or Web 2.0 refers, allow users to generate their own content and share that content among other users (Berkman, 2008). This is primarily contributing to the creation of "groundswell" as to Li and Bernoff (2008). Groundswell is a social trend in which people use technology to get the things they need from each other, rather than from traditional institutions like corporations in a usual manner (Ibid). This platform of internet transforms on the single way of

communication which is based on advertising via single way of communication. Virtual social worlds offer a multitude of opportunities for companies in marketing (advertising/communication, virtual product sales/v-Commerce, marketing research), and human resource and internal process management (Kaplan and Haenlein, 2009).

3. Empirical explorative comparative study

3.1 The explorative design and methodology

The aim of the empirical study was to utilise the conceptual framework discussed above to conduct a comparative analysis of how values-based corporate governance and CSR have been incorporated into the proactive business strategies of three successful global enterprises: IKEA, Starbucks, and H&M. We look deeper in an explorative way how the three integrated global enterprises are working in practice to handle values, risks to be avoided, critical performance variables, and strategic uncertainty in their ambition to handle the interrelationship between CG and CSR and creating a new business model. We use the frame of "the value creating logic in network" from figure 2 in Enquist *et al* (2011).

- *Business-related concerns* (Values-based, SD-logic, vision and mission, license to operate)
- *Operations-related concerns* (value network, TRM)
- *Encounter-related concerns* (interactive communication, experience room, real and virtual)

Data collection for the case studies involved: (i) extensive perusal of documents (including annual reports, corporate governance reports, internal memos and other company publications); (ii) multiple interviews with managers; (iii) collection of narratives about the firms from the media, the Internet, and books; (iv) personal observations at the firms' retail outlets; and (v) supervision of several masters' theses on related subjects. In the case of IKEA, this has been an ongoing research project over several years. This extensive research involvement has provided the authors with a solid basis for selecting representative empirical data for the present study. The views of activists/NGOs regarding these firms are also described.

3.2 Case studies

3.2.1 IKEA

IKEA is a successful and profitable furniture manufacturer and retailer; indeed, it is the global leader in its industry. The firm is known for a strong service culture that emphasises company core values and a strong sense of CSR. IKEA has demonstrated an ability to serve customers and renew its business at a time when many other companies have been more focused on narrow conceptions of shareholder value and internal issues. IKEA is a member of UN Global Compact and its service culture is based on 'TBL thinking'.

Business-related concerns:

IKEA is a values-based company where the values are deep rooted in the history and the heritage of the founder and entrepreneur Ingvar Kamprad. The economic success of the company is embedded in a social and environmental context. IKEA is member of UN Global Compact and follow GRI reporting guidelines. The strong and dynamic culture of IKEA is based on "*shared values and shared meanings*" IKEA's vision is "*to create a better everyday life for the majority of people*"; and Its mission is to offer a wide range of home furnishing items of good design and function, excellent quality and durability, at prices so low that the majority of people can afford to buy them.

You cannot anywhere read about the license to operate of IKEA but in our view we see this go back to the publication of the "Testament of a Furniture Dealer" by Ingvar Kamprad where the founder setting out the values that will be used to guide innovative, sustainable, and responsible actions by the firm's co-workers and suppliers in IKEA's global expansion. During the leadership of president and CEO of IKEA Anders Dahlvig (1999-2009) focused on "*Ten Jobs in Ten Years*", which the Group had experienced extraordinary growth. After growing so dramatically the new CEO, Mikael Olsson, with a long-standing career within IKEA, launched the strategic direction '*Growing IKEA – Together!*" The four cornerstones for this growing program are (2010-2015):

- **Growing** through strengthening IKEA range, lowering prices, improving quality, presenting IKEA range and serving customers in a better way
- **Lower costs** through simplicity and cost-consciousness
- **People** developing the business and IKEA values
- **Sustainability is an integrated part of IKEA business**

Operations-related concerns:

The recession of 2008 has affected IKEA. The new CEO has started to look over the cost structure of IKEA. IKEA's annual report of 2008 clearly indicates that IKEA needs to pay a lot of attention to staying lean and simple. Therefore, it launched an extensive program for a lower cost structure at IKEA, where the gains will be re-invested in lowering the prices to our customers even more. IKEA also sees sustainability as a catalyst for further innovation and change within. It will transform the way resources saved and business done, for future generations and continuing success. IKEA has high ambitions of how this will affect the business to mention:

- Taking a leading role towards a low carbon society
- Turning waste into resources
- Reducing IKEA water footprint
- Taking social responsibility

IKEA's commitment to CSR is part of its wider commitment to its various stakeholders (including customers. co-workers, and suppliers). IKEA Social Initiative, a part of the stitching IKEA Foundation. IKEA's partnership with UNICEF has allowed the company to achieve its business objectives while supporting children and women and their opportunities for learning and developing. Although it cannot be quantified for the bottom line, IKEA's actions have built trust, a significant intangible asset, within the communities it touches.

Encounter-related concerns:

In IKEA's marketing, value-in-use for customers is primarily of an instrumental nature, as communicated through the catalogue, the website, and the store showrooms. In IKEA's marketing strategy there is also communication beyond the instrumental level, whereby IKEA narrates a sustainable corporate 'story' in which vision, culture, and image complement one another in a successful branding strategy. The IKEA showrooms can be seen as 'experience rooms', in which customers receive a 'real' experience before purchase. An 'experience room' supports customers in their role as co-creators of value (by making the solutions customized and 'tangible'), as well as facilitating the company's communication of its corporate values.

IKEA starts to use social media in an interactive way through its IKEA-family web page under "LIVE" for tips, ideas, inspiration and sharing different experiences by customers around the world. This page is also linked to facebook. IKEA is also communicating thorough twitter in USA and Face book – Malmo, and YouTube.

Sources: *Edvardsson and Enquist (2002); Edvardsson et al. (2006); Enquist et al. (2007); IKEA S&E report 2006 -2010; IKEA annual Report 2009-2010; Torekull (1999); www.ikeeafamily.com*

3.2.2 Starbucks

Starbucks is the biggest coffee house in the world, with more than 40 million customers per week. The Starbucks brand promises customer satisfaction as a result of a consistently high-quality product and the relaxed atmosphere of its coffee shops to enjoy the Starbucks' service experience. This experience consists of three ingredients: (i) its coffee; (ii) its people; and (iii) the ambience of its coffee shops. 'Starbucks experience' aims to offer an inviting and enriching environment-an oasis in which the customer can seek respite from the pressures of home and work.

Starbucks is listed on public stock markets, and employees - partners - have always been encouraged to buy stocks in the company. Starbucks CSR annual reports have been independently verified by an external auditor since 2002. This has always applied to its immediate partners and communities, but it now also extends to its supplier chain. Starbucks is a member of UN Global Compact and its service culture is based on 'TBL thinking'.

Business-related concerns:

The internal memo from the chairman of Starbucks Horward Schultz was leaked in, the internet, 23rd of February 2007. His memo was a reflection of the passion Starbucks has to maintain for keeping the authenticity of the Starbucks Experience while it continues to grow without losing its core values. The economic model before 2007 was built upon *hyper growth* by opening new stores in a never ending line. Therefore, in the 7th of January 2008 Schultz was back as CEO and president of Starbucks at the same time he kept his position as chairman. Schultz announced "The Transformation Agenda" (TTA) for Starbucks in March 2008, which include seven big moves. We see this TTA as the new "license to operate" for Starbucks. The aspiration is no quick fix; "It was a mind-set dictating the company´s primary focus until we were in a healthy position, ready to refocus on profitable growth." (Schultz and Gordon, 2011, p.108) The seven big moves are:

1. Be the undisputed coffee authority
2. Engage and inspire our partners
3. Ignite the emotional attachment with our customers
4. Expand our global presence – while making each store the heart of the local neighbourhood
5. Be a leader in ethical sourcing and environmental impact
6. Create innovative growth platforms worthy of our coffee
7. Deliver a sustainable economic model

The Starbucks vision and mission was updated as part of the transformation agenda. The Starbucks mission: "*To inspire and nurture the human spirit one person, one cup, and one neighbourhood at a time*". The mission statement for Starbucks is a much broader guide and cover for: our coffee; our partner; our customers; our stores; our neighbourhood; our shareholders. Starbucks wants with its new mission to go back to its roots and find the balance for profit with social conscience and get rid of start making decisions that are based on *P/E or stock price*. Schultz says "we build this very unique brand around coffee and a values-based organization" (Interview McKinsey Quarterly, 2011, p. 2). The strategy for the restructured Starbucks is "disciplined growth" in terms of how to operate the stores and how to enhance the customer experience.

Operations-related concerns

Starbucks has been working to being the undisputed coffee authority, which the value network based upon the operation by working with new blends; new process before brewing to make the coffee fresher, taste better and gives richer aroma. Putting in new espresso machines gives better control of the brewing and more eye-contact with the customers.

Sustainable economic model also includes closing 600 stores that did not met the standard of quality and profit; Improve the efficiency in the supply chain from 30% to 90%; store technology to support the store managers including also lean techniques; and building a senior leadership team "living the values".

Starbucks is a leader in ethical sourcing of coffee and sustainability; in 2009 - 81% certified by C.A.F.E practices program, the Starbucks own certification, as compared with 72% in 2008. Starbucks also become the world largest buyer of Fair-trade coffee in 2009 by doubling the annual purchase and starting a service center in Rwanda for East Africa to support the small farmers. Starbucks Shared Planet program is an initiative to address how Starbucks address design and build stores, the environmental footprint of its cups, give back to neighborhoods.

Encounter-related concerns
Starbucks experience has been strength by:

- The coffee store is still the most important place as an experience room

- Starbucks' Loyalty program "My Starbucks Rewards" with 1.5 billion has been loaded onto Starbucks card.

- MyStarbucksIdea.com Since launched in March 2008 250 000 registered members coming until now with 100 000 ideas. 100 new ideas have been until now being launched.

- Social Media Starbucks has 27 million fans and is the top brand on Facebook and one million follow Twitter.

- Starbucks Digital Network is launched in partnership with Yahoo. It is designed to strengthen the Starbucks Experience for the customers to have a selection of digital newspapers, download music, educational games, exclusive books etc.

Sources: *Schultz and Gordon, (2011); Schultz and Jones Yang (1997); Interview with Howard S. McKinsey Quarterly*, March, 2011; *Starbuck CSR Report 2005-09; Schultz memo, 2007&2008; Wall Street Journal Online, 2007; www.oxfam.org; www.starbucks.com; www.facebook.com; http://mystarbucksidea.force.com/*

3.2.3 H&M

H&M has been one of the most rapidly expanding clothing retailers in the world in recent years, and has great potential for continued growth in the future. The firm now has almost 2000 retail outlets in more than 30 countries. H&M believes on the store experience and of well designed good quality at fair price. H&M is a public company, the chairman of the board and major owner is Stefan Person, who is the son of the founder. H&M is a values-based company with a strong commitment to all its stakeholders—including shareholders, customers, employees (who are referred to as 'colleagues'), suppliers, and strategic partners.

H&M is a member of UN Global Compact and its service culture is based on 'TBL thinking'.

Business-related concerns:

- *Vision:* 'To bring fashion and quality at the best price'.

- *Business idea:* 'Our design and buying departments create the H&M collection and make it possible to offer the latest fashion and cosmetics: unbeatable value at the best price'.

Although H&M doesn't have clearly stated "Licence to operate"; H&M publishes its 'Business Philosophy', which involves ensuring and improving the quality of its goods at the best-possible prices, rooted in a strong culture of values and value creation. The family lineage has helped the company to retain the founder's sense of responsibility to its customers and the environment. H&M is well aware of its responsibilities towards society and environment.

Operations-related concerns:

- *Code of conduct*: H&M's code of conduct aims to ensure that its products are produced under ethical working conditions that protect the environment. The code covers the working environment, child labour, fire safety, working hours, minimum wages, and the environment.

- *HRM and climate*: H&M believes in working with a set of values, rather than manuals. It espouses an 'open door' policy, direct communication, and common sense. Its basic values include believing in people, teamwork, a fast pace of working and constant improvement. The company aims to offer employees competitive and comprehensive benefits.

Indeed, what the company refers to as "the role of garment export in the development of source countries" has become a focus of the firm in 2010 as it seeks to ensure the safety of workers in the garment factories, as to Ingrid Schullström, H&M CSR manger, blog. H&M acts proactively in staying ahead of legislation and advocacy campaigns. H&M initiates and supports a wide range of local and global projects that aim to alleviate poverty and provide education. The focus is on children, young people, and women. The firm is also involved in projects to protect the environment—especially with respect to chemical avoidance and eco-labelled products. H&M works cooperatively with several non-government organisations, including Amnesty.

Encounter-related concerns

- H&M communicates through the catalogue, the website, and the store "shopping experience".
- H&M's Facebook page provide different choices under a tab called "Your H&M".
- "H&M Social Media" page allows sharing by importing openly people's outfits and blog posts that mention H&M.

Sources: *Classon J., and Dahlström J. (2006) - Master Thesis; Edvardsson and Enquist, (2009); Enquist et al,(2008); Greiner Tim et.al.(2006); H&M CSR report 2006-2009, Isaksson, (2008);* Ruyven M. & Molenaar H., (1998)*; www.hm.com; www. facebook.com*

4. Discussion

4.1 Common characteristics of the case firms

Drawing on the ideas of Edvardsson and Enquist (2009), five common characteristics shared by the case companies can be discerned, with particular reference to the interdependency of corporate governance and CSR:

- business models based on corporate-governance ideas from the founder;
- values and value creation;

- service experience;
- service brand and marketing communication; and
- service leadership.

Each of these is discussed in greater detail below.

4.1.1 Business models based on ideas from the founder

All three companies were founded by energetic entrepreneurs: Kamprad at IKEA; Schultz at Starbucks; and Persson at H&M. All of these entrepreneurs have been innovative in their various consumer industries. They have built distinctive business models of corporate governance in their companies, and these have been retained and developed over decades through the dissemination of the entrepreneur's values throughout their organisations.

All three firms also have a business model for future success based on: (i) various forms of 'TBL thinking'; (ii) attractive offerings in attractive stores; and (iii) strong supplier chains governed by social and environmental responsibility and the requirements of good citizenship. In addition, they have growth strategies based on investment in sustainable resources—IKEA in energy conservation and managing social and environmental responsibility; Starbucks in recycling and community development; and H&M in environmentally friendly products. All three companies have strong corporate values and a clear focus on serving customers in a broad international target market.

4.1.2 Values and value creation

All three companies exert control over the design and development of their service offerings, and all manage their suppliers in the value chain prudently to control price, time, and quality. Moreover, in all three companies, this logic of value creation is driven by the logic of values. All take a 'TBL perspective' with respect to logistics, stores, and production, and all have their own code of conduct to ensure that their social, environmental, and quality standards are maintained. They also attempt to engage their suppliers in positive empowering relationships that create value for the suppliers themselves.

4.1.3 Service experience

All three retailers have a focus on serving customers and have developed management policies and systems with regard to the co-creation of value with customers. The IKEA policy promotes customer placement in store showrooms ('experience rooms'). In the case of Starbucks, the firm has a customer-oriented policy that actively promotes the 'Starbucks experience'. H&M promotes shopping as an easy and pleasant experience. In all three cases, customer-oriented policies aim to promote favourable service experiences.

4.1.4 Service brand and marketing communication

All three case companies have well-known values-based global service brands. Although they do not explicitly refer to CSR in their marketing communications, all of these brands are positioned in accordance with the firm's views on environmental and social responsibility. The firms ensure that

their brands are supported by the communities with whom they do business, that their suppliers are empowered, and that they engage with a range of environmental and social initiatives.

4.1.5 Service leadership

In all three companies, the knowledge and 'drive' of employees are of fundamental importance in developing a strong corporate culture with regard to 'living the brand' and sharing corporate values. Within IKEA, employees are referred to as 'co-workers', Starbucks refers to 'partners', and H&M uses the term 'colleagues'.

All employees are expected to show 'service leadership' by acting as role models. Leadership performance is judged in terms of operational skills, cooperation with others, and sharing values and meanings. All three companies focus on investing in leadership performance and focus on the development of individual leaders and employees as a key strategy for company success. All firms seek leaders from diverse backgrounds to create a multicultural employment environment reflecting the diversity among their present and potential customers. Gender equality in employment is also a goal of all companies.

THE PAPER WILL BE FURTHER DEVELOPING

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