

Successfully Implementing a Genuine & Strategic Approach to CSR

Analysis of the Austrian Genussmittel Industry

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“Be the change you want to see in the world”

- Mahatma Gandhi

Many people argue that they do not have the ability to change the world. They say they lack the skills to found and lead a NGO. They cannot leave their beloved ones in order to move to underdeveloped countries to support aid projects. They do not have the power to positively influence the approach the company has they work for. I claim they still have a great power to alleviate poverty. By making better informed purchasing decisions, every single person can have a significant positive impact to change the world. Instead of buying any products, I encourage everyone to inform themselves about the companies they frequently buy goods from. Above all, this applies to groceries because we have to buy them on a regular basis. Thus, once a person knows more about the common firms that offer groceries in their local supermarkets, they can start buying mainly products that were produced under fair conditions. Due to that, with each such a product that is bought, the movement of fairness is supported. Not only firms themselves benefit, but also the many people that are involved in producing the goods. These are typically suppliers (including farmers in underdeveloped countries), employees, the local community, etc. Once the firms that have a genuine and strategic approach to CSR are supported by a few consumers, word-of-mouth will allure many more. Over the long-run, these kinds of firms will flourish, while others with a negative impact on society will either have to change their strategy or go bankrupt. Even though this process will take very long, it is every person's own responsibility to start taking fairness into consideration now.

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1. Introduction

In this chapter the type of firm that is of concern to this thesis is explained first. Therefore, two different points of view on Corporate Social Responsibility (CSR) are described in the beginning to better illustrate which characteristics a firm with a genuine CSR approach should possess. Secondly, based on the two research questions, it is demonstrated how the thesis is structured and why this structure was chosen. Thereafter, each chapter is presented briefly and it is explained how it is connected to other chapters.

Definition of the Type of Firm that is of Concern

The focus of this thesis is a company that has a genuine and strategic approach to CSR. To better explain what this kind of approach means, two different ways of viewing CSR are illustrated. On the one hand a company can have a cosmetic approach to CSR. If this is the case, it most likely runs media campaigns that describe the firm's philanthropic activities. Therefore, the amount of money that was donated and the number of volunteering hours that were spent are marketed, so that consumers think that the company is "not that bad after all". If a firm pursues such an approach, its activities are not connected to its strategy. This leads to the fact that a firm that has a cosmetic approach to CSR cannot induce a significant positive impact on society (M. R. M. Porter, *Strategy and Society The Link Between Competitive Advantage and Corporate Social Responsibility* 2011). In the following an example of such an approach is given: In 1999, the tobacco firm Philip Morris donated \$75 mil for charity organizations. Even though this is a considerably high amount of money, the firm also spent another \$100 mil to launch a campaign that marketed this donation of the \$75 mil (M. K. M. Porter 2002). Clearly, this serves as a great example for a cosmetic CSR approach. Philip Morris's focus was not actually having a positive impact on society, but to use CSR as a marketing tool to be perceived as a company with good intentions. Thus, firms with CSR activities as this one, have a very limited positive impact on society.

On the other hand a firm's approach to CSR can be genuine and strategic. Genuine is defined as actual, true (Merriam Webster 2012) and sincere (Oxford Dictionaries 2012). Thus, a firm that has a genuine approach to CSR makes an effort to have a significant positive impact on society and not only to be perceived as such. In order to achieve this, it should embed CSR in its strategy. Strategic CSR is defined as a firm choosing a unique position to have a beneficial

relationship with society. Therefore, it is about creating strong relationships that society and at the same time the firm itself profit from. If a company has a genuine and strategic approach to CSR, it will realize that CSR is more than a cost or a charitable deed. It is about having a significant positive impact on society and simultaneously generating a competitive advantage (M. R. M. Porter, *Strategy and Society The Link Between Competitive Advantage and Corporate Social Responsibility* 2011). Firms that have the latter approach to CSR are in the focus of this thesis. More information on the firms as such and the industry they are in is given when the general structure of this thesis is explained.

Explanation of how the Thesis is Structured

First, two research questions will be explained, which's answers will be based on several selected and adjusted theories. Afterwards, two models will be established. These models will be used together with the collected data, to analyse the researched firms' performance in terms of genuine and strategic CSR. Finally, the conclusion of this thesis will be discussed. As it was mentioned, the thesis consists of two individual but intertwined research questions. They intertwine because the first research question acts as a prerequisite in order to answer the second one. To enhance reader friendliness, they are explained separately.

The first research question is: **“In what ways can companies with a genuine CSR approach initiate a positive impact on society?”** The term “genuine” in terms of CSR approach was already explained above. The term “initiate” is used, because the theories that will be applied to answer this research question, give hints what a company should do to start having a positive impact on society. Nevertheless, these theories do not provide an overall strategy from which such initiatives evolve naturally on a continuous basis. Therefore, the positive impact on society is solely initiated.

First, with using the Stakeholder Theory, it will be figured out by whom “the society” is actually represented for the analysed type of firms. This is important because many companies are not aware of whom they have an impact on. That is why firms often neglect some groups within the society. In the long-run, this can lead to firms either committing misconduct, or missing out opportunities to improve its positive impact.

Secondly, two CSR tools will be introduced that mention several initiatives a company should implement in order to improve its CSR activities. These initiatives serve to spark ideas a

company can pursue, in order to improve its impact on society. It is anticipated that these tools do not support a company's decision makers, by giving them a broader picture of how they should implement such initiatives so that they fit in the overall concept of the company's strategy. This once again explains why the first research question is solely about figuring out how a company can initiate a positive impact on society. However, the second research question is about figuring out how the implementation of the mentioned initiatives can be done in a successful way.

The second research question is: **“What strategy shall companies with a genuine and strategic CSR approach pursue, to increase their positive impact on society and at the same time improve competitiveness?”**

To find an answer to this research question, the Systemic Model Approach theory and the Shared Value Creation theory will be described in the theoretical chapter. With the support of these theories it will basically be explained that the analysed firms try to add “fairness” to the already existing characteristics “price” and “quality” that is competed on. Moreover, it will be highlighted that firms that try to do this, have to pursue a novel approach to conducting business. Additionally, according to the theories, such a company also has to adjust its business model, choose a careful market-adaption strategy and enable local cluster development to be successful in having a positive impact on society and simultaneously at improving its competitiveness.

Based on the research questions and the theories that will be selected to answer them, two models will be established. One model will be constructed for each research question. Additionally, it will be illustrated at which point the two models intertwine.

Afterwards, the three different industries of the respective firms will be illustrated. These industries are the chocolate confectionary, the tea and the coffee industry. For each industry global facts and facts that are relevant for the country Austria will be given. The focus on Austria is due to the fact that all analysed firms are headquartered in this country and also generate the most of their revenue there. Additionally, it will be claimed that there is a term that describes the communality between firms in the chocolate, coffee and tea industry better than simply referring to them as firms of the Food and Beverage Industry. That term is

“Genussmittel”. Besides that, information on social injustice within the respective industries will be provided.

Subsequently, the most relevant data of the three analysed companies will be presented. The respective firms are EZA in the coffee industry, Sonnentor in the tea industry and Zotter in the chocolate confectionary industry. The information that was gained by having conducted interviews will serve as the most important source of data. It is standardized questionnaires that asked respondents for qualitative data. Thus, each company was asked to answer the same questions. This is the foundation for a sound comparison of the firms’ approach to business and the implementation of CSR initiatives. Therefore, it allows figuring out similarities and best practice examples of the firms’ business approaches. Additionally, data will be presented that was gained from books, annual reports, company websites and online newspaper articles.

In the Analysis chapter, the respective firms are analysed based on the established models and the obtained data. With the use of Model 1, it will be analysed if the three companies have initiated a positive impact on society. It will be claimed that even if this were the case, it does not necessarily mean that they are successful businesses. Therefore, when Model 2 is used, it is figured out if the firms have a genuine and strategic approach to CSR. If that were the case, the companies would have a substantial and enduring positive impact on society and at the same time gain a competitive advantage in terms of differentiation. It will be suggested that this is what a company with a genuine approach to social responsibility should strive for.

Finally, major findings of this thesis will be discussed in the Conclusion chapter. First, characteristics that the three analysed firms have in common will be highlighted. This will serve as lessons learnt for firms that want to improve their CSR activities, in order to have a substantial positive impact on society and not solely a cosmetic CSR approach. Secondly, it will be pointed out what firms like the analysed ones have to consider, to stay competitive and to even further push their CSR initiatives. Thirdly, the limitation of this thesis will be given.

2. Literature Review and Theory

In this chapter the several theories that are regarded as relevant for this thesis's topic are described in detail. Attention is given to also highlight why each of the theories is relevant in this thesis and how it is embedded in the overall structure. Additionally, examples are given if they support an easier understanding of a theory.

Basically, the relevant theories are divided into two major parts. First, theories which deal with Corporate Social Responsibility (CSR) in terms a corporation's impact on society are explained. Thus, this part of the chapter acts to support answering the first research question. Secondly, the other major part of this thesis covers theories with regard to Strategy. These theories evaluate a company's strategy and business model, and therefore will act to support answering the second research question.

For each theory, it will be explained in detail that some theories are applied at the Analysis chapter of this thesis without modifications, others with modifications and still another is not applied at all (Triple Bottom Line). Addressing the Triple Bottom Line theory is important, due to the fact that it serves as a good illustration of the three interlinked topics CSR generally covers.

2.1. Corporate Social Responsibility

With regard to the theories that cover CSR, three sub-chapters are described. First, the Triple Bottom Line theory is of concern, which suggests a different approach to business than solely focusing on profit maximization. It not only serves as a great introduction to the other theories but also gives an idea what this thesis is and is not about.

Secondly, the Stakeholder Theory, based on Edward Freeman, is reviewed in this thesis, to illustrate that a company has an impact on several entities and at the same time several entities also have an impact on the company. This theory suggests that executives and top managers broaden their view to not only consider the interests of shareholders and internal stakeholders.

Thirdly, two CSR tools are introduced, which both deal with the evaluation of a company's impact on its stakeholders. Both tools are frameworks, which support a company to improve its impact on society.

2.1.1. Triple Bottom Line Theory

Typically a company's performance is solely evaluated by its financial performance. With regard to a public company, an annual report is issued at the end of a fiscal year in order to inform about the firm's economic performance. Additionally, throughout the year the financial performance is continuously measured, compared to previous years and predicted for the future. If profits are maximized according to the targets of the Board of Directors, a company's shareholders are confident in receiving their dividends and thus, the general opinion that a company performed well prevails. However, if a financial loss was generated, measures are taken to get the company back on track, to ensure that at the next annual report the pleasant news of profit maximization can be stated.

Nevertheless, this thinking neglects the fact that a company is embedded in an environment consisting of several many and not only a very few entities with an interest in a company's activities. The Triple Bottom Line theory was established, to ask managers to broaden their scope of performance measurement. A shift from solely focusing on the financial aspects should take place to also include environmental and societal aspects when evaluating a company's performance (Hubbard 2009).

Environmental performance refers to what extent resources such as energy, water and land are used by a company and at the same time what emission of by-products such as waste, hazardous materials and air pollution it causes. Social performance refers to the communities that a company and its suppliers have an impact on through their activities (Hubbard 2009).

Thus, if managers neglect a company's environmental and social performance, negative externalities are for example not on the agenda of decision makers. A negative externality is described as costs, which arise from an economic activity that affect an entity that is neither the buyer nor the seller. Moreover, the arising costs for this outside entity are transmitted through prices (The Economist 2012).

To better explain this statement, two examples of how a company can have a negative impact on society through negative externalities are given.

First, when neglecting a company's social performance, managers might decide to decrease costs to be price competitive by outsourcing the production to underdeveloped countries. When it is solely the financial bottom line that is of interest, this decision is worthwhile.

Nevertheless, this company's social performance is bad, due to the current employees of the company losing their job, only because of the low wage conditions in underdeveloped countries. Therefore, even though this company performs well along the financial bottom line, it performs weak along the social bottom line, because it imposes negative externalities on its current employees.

Secondly, if a company is neglecting its environmental performance, it will continue to pollute the environment through CO₂ emission and not invest in an environmental friendlier production. Therefore, it contributes to greenhouse gas emission and in further consequence to climate change, which leads to more extreme weather conditions (Hedegaard 2012). In this case the negative externality is imposed on people whose living conditions decrease, due to the consequences of extreme weather such as floods, hurricanes, drought etc. Yet again, this activity is considered desirable by the example company, as long as it is less costly to pay taxes or fines to governments for the pollution than becoming energy efficient or investing in sustainable energy sources. This argumentation, is certainly only valid because the company's environmental performance is neglected.

Even though, as explained above, companies should consider all three bottom lines, this thesis is devoted to the social and financial bottom line. There are several reasons why this is the case.

First, while it is widely accepted that a company can literally profit from launching pro environmental activities, this is apparently not the case for their social counterpart yet. The fact that many papers are devoted to a company's environmental but not its social performance might be the reason for this attitude. The Harvard Business Review book "Greening Your Business Profitably" published in 2011 serves as a good example of a collection of interesting studies mostly with regard to a company's environmental performance. Thus, there are not many scientific papers available yet, which link a company's social activities to its strategy. That is why corporate responsibility is often referred to as media campaigns that typically describe philanthropy in terms of dollars or volunteer hours spent but almost never in terms of impact on society (M. R. M. Porter, Strategy and Society The Link Between Competitive Advantage and Corporate Social Responsibility 2011). Hence, companies will not strengthen their strategic competitiveness

but solely work on creating an image of acting as a good corporate citizen. Thus, the social bottom line is in comparison to the environmental bottom line regarded as a more novel topic and is therefore of greater interest to be researched.

Secondly, literally measuring a company's social performance, as compared to the financial and environmental performance, does not exist yet and might actually never be truly possible (W. Norman 2004). Why this is the case, is first illustrated by explaining the measurement of a company's financial performance in very simple terms.

Put simply, the financial performance measurement is characterized by adding revenues and subtracting expenses to at the end figure out the net income. This figure is either positive or negative. Generating this one figure through a defined measurement scheme is only possible due to the fact that revenue and expenses have a common unite. Therefore, a company's financial performance can be compared to its previous performance and at the same time to the performance of other companies (W. Norman 2004).

Even though the environmental performance measurement is not as straight forward as the financial performance measurement, it can still be conducted by illustrating several different aspects of the environmental performance. These are for example the CO₂-Footprint, the Water Consumption Index and the Energy Consumption, which are presented by each one figure having the same unite. Therefore, comparison is possible.

Nevertheless, when it comes to a company's social performance, there is no such common unite for the "good" and "bad" impact a company has on society. If a company sells products that have hazardous components and moves its production to sweatshops of underdeveloped countries, but at the same time donates money to a charity foundation once a year and treats its employees well, it is not possible to simply subtract the "bad" from the "good" activities in order to tell if the company has a positive or negative impact on society (W. Norman 2004). Therefore, is not possible to make a social bottom line measurement such as in a profit and loss statement or in the evaluation of the CO₂ emission. Still, an approximation to a company's social performance measurement is represented by theories. Two of them will be applied in the later course of this thesis that act to support the evaluation of a company's social performance. They are the Stakeholder Theory and CSR Measurement Tools. These theories do not make it possible to calculate a company's social

performance. But the former increases the awareness of whom in society a company has an impact on and the latter act as frameworks to improve this impact.

Thirdly, the activities that have an impact on the environment and on the social bottom line consist of several, specific components that often have non-transparent but far reaching effects on a company's financial bottom line. Thus, considering all three bottom lines in this thesis would either exceed the scope or would not allow to go as deep in the analysis as necessary to get a proper understanding of potential relationships.

Nevertheless, a company's environmental performance cannot be neglected entirely but will be mentioned at some points throughout this thesis, because it is often entangled with a firm's social performance.

2.1.2. Stakeholder Theory

That a company is responsible only for its shareholders and this primarily through profit maximization is a misconception, which was of general opinion decades ago and resides in several business students' and managers' minds even today (Ghoshal 2005). Undoubtedly, even in the past firms existed that also had social and environmental topics on their agenda and not solely profit maximization. One example is the California-based company Patagonia, which is specialized in outdoor clothing. Already in the mid-1980s when the typical clothing company was downsizing, Patagonia had several initiatives established, to improve the firm's positive impact on its employees' quality of living and the environment. Such initiatives were encouraging employees to go surfing when the conditions were best, offering subsidized food at the company cafeteria, giving paid leave to employees when their children were sick and allowing employees to support non-profit environmental groups for sixty days a year (Sanders 2008).

Nevertheless, companies such as Patagonia were clearly, and actually are still, exceptions because the general business opinion was that the social responsibility of businesses is to increase its profits. Therefore, it was the managers' obligations to act in the favour of only the owners of a company; its shareholders. If managers made any effort beyond profit maximization, when for example spending money on social objectives, it was thought of imposing taxes on shareholders. Milton Friedman, publishing the article "The Social Responsibility of Business Is to Increase Its Profits" in 1970 was so to say the vanguard of this

business attitude (Friedman 1970).

A reconsideration of this general opinion was initiated by scholars such as Edward Freeman in the 1980s. Freeman argued that not only shareholders but also other groups of people have an interest in companies' activities. That is why he claimed that it is unfair to pursue the interests of shareholders at the expenses of other interest groups. He concluded that these interest groups should have the right to make claims against firms, in the case they are impacted by them. This led to the Stakeholder Theory, which argues that groups that have something at stake at a company, the so called stakeholders, should also be considered by the firm (Mitchell 1997).

Thus, identifying stakeholders as those "on which the organization is dependent for its continued survival" is a definition that might be favoured by Milton Friedman but is clearly too narrow. But Freeman and Reed's definition (1984) of stakeholders as "an individual or a group who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives" is more suitable for the topic of this thesis (Freeman 1984).

Moreover, it should be mentioned, that the second part of the above definition, "who is affected by the achievement of an organization's objectives", is of higher importance to this thesis. The reason why, is the connection of this part's definition to the first research question of the thesis, which is about figuring out in what ways a company in the Genussmittel Industry can have a positive impact on its stakeholders.

The theory suggests identifying if stakeholders possess one, two, or all three of the following attributes: the stakeholder's power to influence the firm, the legitimacy of the stakeholder's relationship with the firm, and the urgency of the stakeholder's claim on the firm (Mitchell 1997).

The first attribute "power" means that an entity can impose its will on the company (Mitchell 1997). Typically employees can do so through their unions, governments through laws and suppliers through demanding new contracts.

The second attribute "legitimacy" explains if it is in general assumed or in compliance with the law that the actions of an entity are appropriate (Mitchell 1997). This of course always depends on the given situation. An example for a legitimate claim is when employees demand the payment of extra hours and in their contracts it is clearly stated that extra hours

are paid out.

The third attribute that can be possessed by a stakeholder is “urgency”, which has two different characteristics. First, it can have a time wise characteristic, which means that a company has to take actions as soon as possible to not negatively impact a stakeholder. Secondly, “urgency” is also possessed by a stakeholder, if its claim against the company is of critical importance (Mitchell 1997). Yet again, both characteristics of “urgency” are very much situation-dependent. An example for an urgent claim that possesses both characteristics is if an indigenous tribe lives at a river bank and a corporation pollutes the river further upstream. This stakeholder’s claim against the company is urgent (as well as a legitimate) if their only source of water is this river. In case the company would keep on polluting the river, the indigenous people would die of thirst. Therefore, the company’s response is not only critical but a delay is also unacceptable.

As it can already be supposed, the possession of one or more attributes of a stakeholder is always situation-dependent and can of course change over time. Therefore it is not possible to evaluate what claims individual stakeholders have on companies as long as it is not analysed in a given context (Mitchell 1997). Due to the fact that the respective firms are analysed in general and not in a given situation, it is not possible to evaluate what attributes their stakeholders possess. Moreover, such a statement cannot endure for long because it is only valid for one single point in time. Even though this approach would be of importance to the analysed companies themselves, it is not for this thesis, because the overall goal is to draw general conclusions that are applicable over a longer period of time.

Thus, in this thesis the various stakeholder groups that should always be considered are figured out, no matter what situation the company is in. Nevertheless, it is very helpful to have the three attributes in mind, when establishing such a list of stakeholders, because the attributes give an idea when stakeholder claims become relevant to a company.

At this point it could be claimed that three different companies have an impact on and are impacted by each different stakeholders. This is of course true. Nevertheless, it is not about figuring out the individual people that stand behind a stakeholder group, such as cocoa farmers from Nicaragua or herb farmers from Lower Austria, but the category of the stakeholder group. This is the “Supplier” in the case of the above given example.

Moreover, all three companies are in the Genussmittel Industry. Genussmittel is defined in the Industry chapter but it is already anticipated that its meaning is similar to the English term luxury goods. Additionally, the firms are headquartered in Austria and have the vision of fair produced groceries, which also allows drawing parallels. Therefore, it is possible to establish one list of stakeholder groups that is valid for all three companies.

To determine these relevant stakeholder groups, an article by William M. Evan and R. Edward Freeman acts as a baseline approach (W. M. Evan 1993). It states that consumers, suppliers, employees, owners, the local community as well as the management are typically relevant stakeholder groups. Moreover, it argues that even though competitors and governments are not directly necessary for the survival and success of a company, they can be included as well (W. M. Evan 1993). As is pointed out in the later course of this thesis, are competitors and the government of great importance to the analysed companies. Therefore, they are also included in the list of stakeholder groups for the analysed firms.

Based on the above assumptions, the graphic below illustrates the several stakeholder groups. Already defining them in the theoretical part is necessary for the next part of this thesis, which deals with evaluating a Genussmittel-Industry-company’s various possibilities of having a positive impact on its stakeholders.



Figure 1: Relevant Internal and External Stakeholder

As can be seen in the graphic, the individual stakeholders are divided into internal, meaning that they are part of the company and their actions have a direct influence on the company's activities, and external stakeholder who are outside the company but still have an impact on or are affected by the company.

2.1.3. Evaluation of Impact on Stakeholders

In order to evaluate a company's impact on its stakeholders, each an international and a national CSR tool are used. Therefore, the internationally valid "ISO 26000:2010 - Guidance on social responsibility" acts as the core tool within this theoretical passage and for the few parts it lacks content, the "Common Welfare Balance Sheet", which was established in Austria, assists.

Before going into detail, two points have to be highlighted. On the one hand side, the "ISO 26000:2010 - Guidance on social responsibility" and the "Common Welfare Balance Sheet" are both CSR tools that were not developed for one specific industry or company size (ISO/TMB Working Group 2010) (Felber 2012). Therefore, both are suitable to analyse medium sized, food and beverage producing companies like the respective firms.

On the other hand side, it has to be stated that neither the "ISO 26000:2010 - Guidance on social responsibility" nor the "Common Welfare Balance Sheet" are holistically applied in this thesis, because some parts of the tools do not support answering the research questions.

The parts that are not selected are based on two determinations. First, measures to prevent a negative impact on society are not selected due to this thesis being about a company's positive impact. The following serves as a good example; a company should not supply goods to corporations that do not adhere to the law and should not discriminate employees in any sense (e.g. based on race, nationality, etc.).

Secondly, neither is a measure selected if it asks companies to adhere to the law. Even though adhering to the law often leads to a positive impact on society, this thesis is about CSR and not about compliance. An example is the payment of corporate taxes, which supports the local community and the country the company operates in. But if a company does not fulfil this, it breaks the law.

In the next passage, each relevant measure of the both CSR tools is described in short. At the end of the description, the stakeholder is mentioned in brackets that benefits from the

company's initiative. Only when the stakeholder "Owner" is mentioned in brackets, it has a different meaning. Then, it is all or several stakeholders at once benefiting from the initiative but clearly the owner's responsibility to ensure implementing it. Moreover, it should be mentioned that the stakeholder groups "Managers" and "Employees" are combined, due to the fact that each measure described in the further course of this thesis applies to both of them.

The approach of writing the relevant stakeholder in brackets after the description is chosen, due to the fact that the stakeholder theory and the two CSR tools are united in a table at the end of this theoretical part (see Table 1). This table acts as an overview of all possible measures a company can implement to ensure a positive impact on society.

2.1.3.1. ISO 26000:2010 - Guidance on social responsibility

The "ISO 26000:2010 - Guidance on social responsibility" is a framework that supports an organization to measure its impact on society and on the environment. It states that through advancing in social responsibility a company contributes to a sustainable positive development. In order to ensure this, a company has to consider seven core subjects, which are human rights, labour practices, environment, fair operating practices, consumer issues, community involvement and development (ISO/TMB Working Group 2010).

In the graphic below, the seven core subjects are illustrated. It should be mentioned that only the numbering system is adapted for this thesis's purpose.



Figure 2: Seven core subjects of the "ISO 26000:2010 - Guidance on social responsibility" (ISO/TMB Working Group 2010)

1. **Organizational governance** is the established system within a company by which decisions are made and implemented in order to reach corporate goals. Therefore, social responsibility should be incorporated within this system to ensure a positive impact on society (ISO/TMB Working Group 2010). The following measures should be taken:
 - 1.1. Strategic CSR: A vision, strategies and targets have to be developed in accordance to social responsibility (ISO/TMB Working Group 2010). (Owner)
 - 1.2. Culture of Responsibility: Leaders have to act as role models to demonstrate the importance of commitment and create a corporate culture in which employees on all levels apply social responsibility in their daily decision making (ISO/TMB Working Group 2010). (Owner)

1.3. Stakeholder Dialogue: Through a stakeholder dialogue a company's board initiates a two-way communication process to increase awareness about each other's concerns and targets and to resolve possible conflicts (ISO/TMB Working Group 2010). (Owner)

2. **Human Rights** are the very basic rights to which every human being is entitled. This includes on the one hand civil and political rights and on the other hand social, economic and cultural rights. It should be mentioned that while governments have the duty to respect, protect and fulfil human rights, an organization solely has the responsibility to respect human rights within its range of influence. Therefore, most of the by "ISO 26000:2010 - Guidance on social responsibility" mentioned initiatives should support a company to prevent a negative impact on society and thus would not be relevant to this thesis. Examples are that a company's employees are not engaged in any kind of exploitation of children and that a company has to respect the rights of any kind of people, including vulnerable groups such as indigenous people, whenever decisions are made (ISO/TMB Working Group 2010).

Nevertheless, it also states that an organization may go beyond respecting human rights and may want to support the realization of human rights (ISO/TMB Working Group 2010). In this regard the following steps can be taken:

2.1. Employment of Minorities: Act as a vanguard to create an atmosphere where different minorities in terms of nationality and disabled people are employed and enjoy a workplace of non-discrimination (ISO/TMB Working Group 2010).

(Managers / Employees)

2.2. Awareness of Cultural Differences: When engaging with parties of a different cultural background, a company's representatives act respectful to the parties' norms of behaviour (ISO/TMB Working Group 2010). (Owner)

2.3. Offering Goods to Underprivileged Segments: A company adapts its portfolio of goods so that people with a small budget and / or specific requirements also have the ability to purchase and to consume products. Thus, a company not only produces goods for the huge mass, where economics of scale can be utilized but also thinks of consumers with specific needs (ISO/TMB Working Group 2010).

When it comes to the Genusmittel Industry, it is thus not about offering especially designed products to people with physical disabilities, but about if

people with intolerance find products in the product line they can tolerate well. Moreover, it is also about not only offering premium products for a consumer segment with a high income, but also a product line for consumers with a low to medium income. (Consumers)

3. **Labour practices** in terms of creating jobs and paying compensation is seen as one of an organization's most important social and economic contributions. It is related to work performed within or on behalf of the organization, which includes subcontracted work (ISO/TMB Working Group 2010).

3.1. Inspecting Production Facilities of Suppliers: A company has to ensure not to benefit from unfair or exploitative labour practices of its suppliers. Therefore, contractual obligations have to be established and unannounced inspections made (ISO/TMB Working Group 2010). (Suppliers)

Actually, the description above should prevent a company's negative impact and thus should not have been selected. Nevertheless, it is seen as crucial to the Genussmittel Industry because it is too often realized that companies disregard this activity. Only this can explain why children at the age of 10 to 12 years work at cocoa plantations and peasants are exploited by large landowners (M. Mistrati 2010).

3.2. Paying Adequate Salaries: Wages should be paid that allow workers and their families acceptable living standards. The determinant for acceptable should be based on the region the workers live in (ISO/TMB Working Group 2010). (Managers / Employees and Suppliers)

3.3. Well-Established Owner to Employee Relationship: The possibility of an open dialogue with employees has to be established by owners and top managers, to better understand the employees' concerns and to inform them about the organization's activities and finances. A platform to enable this is when workers form a union, which acts as a common voice (ISO/TMB Working Group 2010). (Owner and Managers / Employees)

3.4. Employee Development Programs: Programs include providing workers at all stages of their experience with access to skill development and career advancement opportunities. Moreover, promoting health and wellbeing are also

part of the offered trainings (ISO/TMB Working Group 2010). (Managers / Employees)

4. No matter where a company is located, its activities have an impact on **the environment**. Especially due to world population growth and increased consumption, human beings are facing several different environmental challenges today. Among others, these are pollution, the destruction of habitats, and degradation of urban and rural human settlements (ISO/TMB Working Group 2010). Still, this thesis's focus is not on the environmental but the societal impact. Anyways, the following initiative is regarded as relevant to this thesis:

4.1. Raising Awareness about Environmental Challenges: Since a company is in close contact with its consumers, it has a positive impact on society, if it raises awareness about environmental challenges and educates consumers about how to participate in making a difference (ISO/TMB Working Group 2010). (Consumers)

5. **Fair operating practices** are of great importance for this thesis. The following initiatives should be implemented by genuinely responsible companies:

5.1. Responsibility Lobbying: Encouraging political processes that the local community benefits from and provide transparency related to such lobbying activities (ISO/TMB Working Group 2010). (Government)

5.2. Improvement of Suppliers' Conditions: While "3.1. *Inspecting Production Facilities of Suppliers*" is about reaching a certain minimum of acceptable standards and controlling the compliance of them, this point goes even further. A company has a great influence through its procurement decisions. Therefore, through a well-established mentorship program of suppliers, it can encourage them to adopt similar CSR practices as the own company. It has to be pointed out that this is a long lasting process which develops over time. Nevertheless, a company can put pressure on its suppliers by placing a deadline, if they do not show willingness to implement CSR practices (ISO/TMB Working Group 2010). (Suppliers)

6. The chapter on **Consumer issues** by "ISO 26000:2010 - Guidance on social responsibility" gives important insights in how to engage with consumers in a responsible way.

6.1. Product Transparency: Through transparency in general and explicit, easily understood product information, consumers are able to compare the characteristics of different products and make informed purchase decisions. Therefore, a company

should inform about product ingredients and price setting structures (ISO/TMB Working Group 2010). (Consumers)

6.2. Supplying Healthy Products: A company provides products that are safe for its consumers' well-being (ISO/TMB Working Group 2010). With regard to the Genussmittel Industry, this can be interpreted as supplying goods that are healthy when consumed in moderation. (Consumers)

6.3. Consumer Education: First, raising awareness in terms of sustainable consumption makes consumers realize that products on a global scale should be consumed at rates that are consistent with sustainable development. Secondly, consumers have to be made clear of that they have an important impact on others and on sustainable development with their purchasing decisions. Thirdly, consumers are supposed to be educated about how to properly assess and compare products to make reasonable purchasing decisions (ISO/TMB Working Group 2010). (Consumers) Due to the fact that point "4. Raising Awareness about Environmental Challenges" is also about consumer education those two points are merged in the table at the end of this chapter (see page 25).

7. **Community involvement and development** is about the positive impact companies have on communities they are engaged with. This can be achieved through subsequent steps:

7.1. Social Investment: By consulting community representatives, decisions about social investment and development activities should be agreed upon together. Forms of social investments include projects related to infrastructure development, education, health care or any other activity that promotes social or economic development (ISO/TMB Working Group 2010). (Local Community)

7.2. Corporate Volunteering: Employees are supposed to be encouraged to act as volunteers for community service (ISO/TMB Working Group 2010). (Managers / Employees and Local Community)

7.3. Knowledge Sharing: Companies can strengthen communities and partner organizations through sharing their knowledge where appropriate. This should especially be considered when it is about access to and development of technology, which can be supported by companies through applying their specialized skills (Suppliers). Moreover, scientific development is for example achieved if companies

engage with universities from their local community (ISO/TMB Working Group 2010). (Local Community)

- 7.4. Workplace Creation: Companies are aware of their impact on employment creation and outsourcing workplaces respectively, when making investment decisions. Wherever they create valuable workplaces, communities are strengthened. Moreover, they have to consider the consequence of technology investment on employment and should, if economically possible, decide only for technologies that create workplaces and against technologies that make workplaces redundant (ISO/TMB Working Group 2010). (Local Community)
- 7.5. Regionalism: Through giving preference to locally available resources and local suppliers, wealth creation takes place within a company's community (ISO/TMB Working Group 2010). (Local Community)

2.1.3.2. Common Welfare Balance Sheet

The "Common Welfare Balance Sheet" is the core element of an alternative economic order (the Common Welfare Economy) that asks governments and firms to rethink the current capitalistic system. Therefore, companies should no longer be evaluated in terms of monetary aspects but in terms of their greater value for society. Therefore, a company should be assessed by the "Common Welfare Balance Sheet", which along 17 dimensions determines the value a company adds to the society's quality of living (Felber 2012). Five of the 17 dimensions are not touched upon by the "ISO 26000:2010 - Guidance on social responsibility" but are crucial to this thesis and thus are described below. Moreover, it has to be pointed out that at the time this thesis is written the most recent version of the "Common Welfare Balance Sheet" is 4.1.

8. "Ethical Procurement" states that a company should in general engage with its several suppliers in a responsible way (Felber 2012). Measures such as sharing specific skills and knowledge and encouraging suppliers to adopt similar CSR practices as the own company were already discussed in the "ISO 26000:2010 - Guidance on social responsibility" standard (see "5.2. Improvement of Suppliers' Conditions"). Nevertheless, the "Common Welfare Balance Sheet" adds to strive for a long lasting collaboration with suppliers (Felber 2012). This is of great importance in the Genussmittel Industry due to suppliers being often the weaker entity in the principal-

agent relationship and living in countries where social security nets are rare. Thus, they depend on the regular acceptance of their goods to gain income in order to survive. (Suppliers)

This point and the point “5.2. *Improvement of Suppliers’ Conditions*” are summarized as “**8. Long-term Supplier Relationship**” in Table 1 (see page 25).

9. “**Just Distribution of Labour**” claims that today many employees have to work too many hours of overtime and at the same time the number of unemployed people is ever rising. This leads to an unhealthy living for both parties. On the one hand, the number of incidences of burn-out syndromes due to working too much overtime and employees not having the freedom to spend time with family and friends increase. On the other hand, also unemployed people suffer due to the fact that they lose their motivation if they are unemployed for a too long time. Therefore, the “Common Welfare Balance Sheet” claims that the available work within a company should be distributed in a more just way, in order to increase the work-life balance of employees and at the same time create more jobs (Felber 2012). (Managers / Employees)
10. “Just Distribution of Income” states that the income gap not only widens in underdeveloped nations but also in Western Europe and the USA, which are both regarded as regions of high living standards. In 2008, a board member’s gross income at a company listed at the Austrian Traded Index (ATX) was on average 48 times higher than that of a regular worker of the same company (Felber 2012). Therefore, a just distribution of income goes beyond paying adequate salaries to employees (see “3.2. *Paying Adequate Salaries*”) and is also about not granting outstanding privileges to an owner and board members. (Managers / Employees)
This point and the point “3.2. *Paying Adequate Salaries*” are merged to “**10. Just and Adequate Salary**” in Table 1.
11. “Ethical Marketing” was already partly described in the ISO 26000:2010 standard (see “6.1. *Product Transparency*”) but is gone more into detail here.
The chapter on ethical marketing claims that a company has to meet real consumer needs and not artificially create ones. Artificial creation is often conducted through for example a great number of advertisements and consumer manipulation, which both only act to ensure increased sales. Therefore, companies should not persuade

people to pay a premium price for a low quality product, which is often the result of companies requiring large budgets for their marketing expenditures. Thus, a company should keep its marketing budget at a reasonable height (Felber 2012).

(Consumers)

This point and the point “6.1. Product Transparency” are combined to “**11. Ethical Marketing**” in Table 1.

12. “**Solidarity with Business Partners**” describes going beyond unfair competition such as price fixing, where companies work together on selling their products for an agreed upon higher price, and predatory pricing, which is driving competitors out of the market by selling a product at an unnaturally low price.

Instead, companies can ensure a positive impact on society in several ways when they practice solidarity with their business partners. Passing on orders when not being able to cope with the volume of orders, establishing common production facilities with business partners, supporting companies in times they face economic difficulties with for example interest-free loans, through cooperative marketing that is promoting goods that were manufactured by competitive companies that are also socially responsible, etc. (Felber 2012). (Competitors)

Table 1 illustrates all mentioned measures that were discussed in regard to “ISO 26000:2010 - Guidance on social responsibility” and “Common Welfare Balance Sheet”. These 23 initiatives should all be considered by a company with a strategic and genuine corporate responsibility approach.

Owners	Managers / Employees	Suppliers	Consumers	Local Community	Competitors & Government
1.1. Strategic CSR	2.1. Employment of Minorities	3.1. Inspecting Production Facilities of Suppliers	2.3. Offering Goods to Underprivileged Segments	7.1. Social Investment	Competitors: 12. Solidarity with Business Partners
1.2. Culture of Responsibility	3.3. Well-Established Owner to Employee Relationship	7.3. Knowledge Sharing with Suppliers	6.2. Supplying Healthy Products	7.2. Corporate Volunteering	Government: 5.1. Responsibility Lobbying
1.3. Stakeholder Dialogue	3.4. Employee Development Programs	8. Long-term Supplier Relationship	6.3. Consumer Education	7.3. Knowledge Sharing with the Local Community	
2.2. Awareness of Cultural Differences	9. Just Distribution of Labour		11. Ethical Marketing	7.4. Workplace Creation	
	10. Just and Adequate Salary			7.5. Regionalism	

Table 1: 23 Initiatives Clustered for Each Relevant Stakeholder Group

2.2. Strategy

As it is already explained in the introduction of this chapter, the theories that deal with evaluating and improving a company’s strategy, function to answer the second research question. Therefore, two sub-chapters are going to be described. First, the Shared Value Creation theory basically suggests that a company implements CSR in its strategy. While one part of this theory is very important to this thesis, two other parts either overlap with parts already described in the CSR chapter (see “*Reconceiving Products and Markets*”) or deal with the environmental but not the societal impact of a company (see “*Redefining Productivity in the Value Chain*”). With regard to the highly relevant part (see “*Enabling Local Cluster Development*”), it is explained that companies should create win-win situations when they deal with their several stakeholders. According to the theory, this is very different to the philanthropic approach many companies currently have, because that way also the company profits itself.

Secondly, the Systemic-Model-Approach theory acts as a detailed and thorough analysis of a company's strategy. Even though it was actually written for start-up companies in the clean technology sector, it serves very well for the type of companies that are analysed in this thesis. Why this is the case is described in the further course of this thesis. Moreover, it should be mentioned that while the first three parts of this theory will be applied in the Analysis chapter of this thesis without any modification, the fourth part ("*A Favourable Government Policy*") is merged with the relevant theoretical part of the Shared Value Creation theory. A detailed explanation is given below.

2.2.1. Shared Value Creation Theory

This theory is at the intersection of CSR and strategy. It claims that the "social responsibility" mind-set many companies adhere to, deals with issues at the periphery but not at the core. These companies typically see their responsibility as charitable donors and have not understood how powerful CSR can be. Therefore they neither provide substantial value to the society nor gain themselves significantly from their efforts. Companies that really make a positive difference are businesses that also act as businesses in order to tackle today's pressing issues. This approach allows directly connecting a company's success with societal improvement (M. R. M. Porter, *Creating Shared Value* 2011).

The American shoe company TOMS serves as a good example to illustrate this point. First of all, this company is a For-Profit and not a Non-Profit Organization (NPO) (Mycoskie 2011). An NPO is a voluntary organization whose members do not share the organization's profits or losses. Typically it furthers educational or public service objectives. Therefore it has a positive impact on society but mostly is dependent on governments and other investors to keep doing this (Business Dictionary 2012). Moreover, TOMS is not a company that sees its corporate responsibility in solely donating a small percentage of its generated profit. The founder Blake Mycoskie built up a business model that basically is a "one for one"-concept that enables a substantial positive contribution to society. This concept means, that for each pair of shoes that is purchased by a regular customer, a second pair of shoes is delivered by TOMS to a child in need in either South America or Africa (Mycoskie 2011). This is a significant positive contribution according to Blake Mycoskie due to two reasons. First, many children of these regions do not have enough money to buy shoes. But if children do not wear shoes, they are not allowed to enter schools and thus have no access to education. Secondly, these children are also in danger to get dangerous infections if not wearing shoes.

Both reasons that describe the importance of shoes for children in South America and Africa were proven by external entities (TOMS.com 2012).

This leads to the fact that the success of TOMS is directly linked to its impact on society, because the more shoes TOMS sells, the more children in need also get shoes.

Nevertheless, the Shared Value theory goes even beyond connecting a company's success to its positive impact. It also claims that a company can improve its corporate success by positively contributing to society. However, this is not achieved through redistributing the value that is created by a company, but instead the total value is expanded. Therefore, not only for example one charitable organization shall benefit and all other stakeholders shall suffer from a company's activities. The goal is that every stakeholder that a company is engaged with shall gain in any way possible (M. R. M. Porter, Creating Shared Value 2011).

To summarize, the Shared Value theory claims that a company enhances its competitiveness and at the same time advances the social and economic conditions of the communities it operates in (M. R. M. Porter, Creating Shared Value 2011).

The guideline on how a company can achieve this, is explained through the following three concepts:

1. Reconceiving Products and Markets

First, Reconceiving Products means that a company has to figure out if the produced products actually make a consumer's life better and if not that they have to be reconceived (M. R. M. Porter, Creating Shared Value 2011). Thus, food companies whose only concern is taste and to make consumers buy more of their goods, have to refocus on delivering healthy products to their consumers.

Even though this is an important point, it is already covered by "ISO 26000:2010 - Guidance on social responsibility" under "6.3. Supplying Healthy Products". Therefore, it does not serve any additional insights and will not be applied at the analysis part of this thesis.

Secondly, Reconceiving Markets is about a company's responsibility to not only serve wealthy citizen but also offer goods to underprivileged (M. R. M. Porter, Creating Shared Value 2011).

This is also covered by "ISO 26000:2010 - Guidance on social responsibility" under "2.3. Offering Goods to Underprivileged Segments" and thus neither serves additional insights.

2. Redefining Productivity in the Value Chain

This point is basically about a company having to use input resources and energy more responsibly and taking health, safety and working conditions of employees into consideration. The theory argues that this leads to reduced costs and increased employees' motivation (M. R. M. Porter, *Creating Shared Value* 2011).

Again, both points are very valuable, but using input resources and energy more responsibly deals with the environmental impact of a company and as it is discussed in "2.1.1. *Triple Bottom Line*" this thesis is primarily about the social and economic impact of companies. Moreover, the second point that is about taking health, safety and working conditions of employees into consideration is about preventing a company's negative impact on society and complying to the law, respectively. As elaborated under "2.1.3. *Evaluation of Impact on Society*" this thesis is about companies with a positive impact on society. Thus, this point will not be applied at the analysis part of this thesis either.

3. Enabling Local Cluster Development

This theory's passage is very important to this thesis. It claims that no company is isolated but depends on the infrastructure around it and its supporting companies. But due to the fact that companies have become disconnected from their local clusters, they have stopped taking over responsibility for them. Since a successful company is dependent on a flourishing local cluster, it is both, the company and the cluster that suffered in long-run from companies having stopped taking over responsibility (this interdependency is described in more detail at the end of this paragraph). Therefore, through actively improving the local cluster, not only infrastructure and supporting companies benefit, but also the company as such profits from it in the long-run (M. R. M. Porter, *Creating Shared Value* 2011).

The more collaboration a cluster development program involves, the more successful it is. Among others, a company should engage with the companies of the private sector, as well as government agencies, NGOs, etc. Thus, a company has to be aware of all its stakeholders and their interests in the company (M. R. M. Porter, *Creating Shared Value* 2011).

Nevertheless, a company cannot bother about all stakeholder groups at the same time in the same intensity. First, it would simply be too time-intensive and demanding (M. R. M. Porter,

Strategy and Society The Link Between Competitive Advantage and Corporate Social Responsibility 2011). Secondly, one stakeholder's claim might be in conflict with another's. An example is when consumers demand a lower price but the only possibility of a company to reduce the price is to outsource productions to an underdeveloped country. This would certainly be in conflict with the company's current employees' claim of wanting to keep their jobs.

Therefore, after having listed all stakeholders, a company should carefully choose social initiatives that will have the greatest shared value. This means that the initiatives benefit a company's own competitiveness and the local cluster at the same time.

The reason why local cluster development increases a society's overall value is due to the interdependence of a company and its local cluster.

First, a successful company needs a healthy society that it is embedded in. Educated and demanding consumers push the company to continuously improve its products, which make it more competitive on an international basis. Furthermore, a government has an important impact on the healthiness of a society and in further consequence on the success of companies. By investing in local infrastructure a company's delivery conditions are improved. And through investments in education, the value for the pool of potential employees is increased. Additionally, when companies share their knowledge with suppliers, the suppliers' facilities are improved, which leads to a better quality of input materials for the own company. The list of a company's benefits of a strong local cluster could be extended much more. But ultimately, a strong local cluster creates a demand for business, due to the fact that more human needs are met and demand grows. Therefore, a company that is short-sighted might gain at the cost of its local cluster in the short-run but will always lose in the long-run (M. R. M. Porter, Strategy and Society The Link Between Competitive Advantage and Corporate Social Responsibility 2011).

Secondly, a healthy society needs successful companies. A social program can never have as great an impact and an outreach as the business sector, when it comes to improving standards of living and social conditions through creating jobs and offering goods and services (M. R. M. Porter, Strategy and Society The Link Between Competitive Advantage and Corporate Social Responsibility 2011). Nevertheless, this is only true when a company is aware of its responsibilities for and impact on society.

Bottom line, when it comes to enabling local cluster development, it is about long-term planning and decision making. This leads to companies creating profits that endure and at the same time a flourishing society.

2.2.2. Systemic-Model-Approach Theory

The Systemic Model Approach theory acts as a detailed and thorough analysis of a company's strategy. Even though it has nothing to do with a company's impact on society, it nevertheless serves as a crucial success factor for a socially responsible company.

Basically, it states that a company in the clean-tech industry has to do more than solely developing a new, ground-breaking technology. It actually has to build an entire system around its technology in order to achieve getting the technology broadly applied. Still, companies are using conventional business models to fit new technologies into existing systems. According to the theory, a far better approach is to create entire new systems. To exemplify this, Edison's light bulb invention is given. Instead of only asking how he could solve the technical problem of inventing a light bulb, Edison asked as well how he could get consumers to switch from kerosene to electricity. Therefore, he worked on an entire new system, consisting of generators, transmission lines, etc. that would support the light bulb technology (J. S. M. Johnson 2011).

The statement of a company having to have a systemic and not only a business model approach is valid for any ground-breaking method to create consumer value in any industry. Thus, to link it from the clean technology industry to the Genussmittel Industry, one question functions as an illustration. How can consumers have fairness on their minds when entering a supermarket to buy their daily groceries?

So far, companies in the Genussmittel Industry compete either on price, quality or premium ingredients. While competing on price simply means the lower the price the more competitive a company is within the segment of high price conscious consumers, competing on quality in the Genussmittel Industry needs to be gone more into detail. First, it is about healthiness of ingredients as such. Unhealthy emulsifiers for example lower a food's quality. Secondly, the composition of ingredients and the daily requirements of them are considered by consumers. Goods that are for example high in sugar and fat are regarded as unhealthy. Thirdly, quality can mean healthiness of ingredients in terms of growth conditions, such as

biological or organic versus bioengineered. Clearly, health conscious consumers prefer organic groceries. Finally, premium ingredients, which in general means delicacies that have a high price such as pistachios, caviar, saffron, etc., is competed on in the consumer segment that is mainly characterized by a high income.

But food companies with a genuinely positive impact on society added another component that should be competed on. That component is fairness. Fairness means several different things at the same time. The 23 initiatives in Table 1 are very different as such, but still contribute all to a fairer product. Therefore, among other factors that fairness describes, it above all means that a food company offers helping underprivileged farmers out of poverty by asking consumers to pay a premium. If such a company would offer its fair produced chocolate, tea, coffee, etc. and simply ask consumers to pay a higher price, they would not purchase them. The reason why this is the case, is that fairness was so far not on a typical consumer's mind when it came to the purchasing decision. Therefore, these companies have to build an entire system around their novel business models in order to ensure profitability.

Thus, in order to achieve this, four steps have to be gone through according to the System-Model-Approach theory.

1. **An Enabling Technology** is at the core of the system model approach. Such enabling technologies were for example the invention of the steam engine that catalysed the era of the railroad or the creation of the microprocessor, which launched the information age. Nevertheless, the real impact of these technologies was felt only after systems had evolved around them (J. S. M. Johnson 2011).

As explained above, the same is true for companies in the Genussmittel Industry that have to build up a system around their products, in order to make consumers pay a premium for the fair production process.

2. **An Innovative Business Model** consists of four interlocking elements which, when taken together, create and deliver value. These are on the one hand the consumer value proposition and the profit formula, which define value for the company and the consumer, respectively. On the other hand these are the key resources and key processes, which explain how that value is delivered through the company to the consumer (J. S. M. Johnson 2011).

Moreover, it should be mentioned that the article that explains the Systemic-Model-Approach theory (J. S. M. Johnson 2011) suggests reading another article (C. C. M. Johnson 2008) for further information on the topic of Business Model Innovation. Therefore, information for this passage of the System-Model-Approach theory is accessed from the more detailed source.

2.1. The **Consumer Value Proposition** (CVP) explains that a company is getting an essential problem done through offering a solution. In other words, this means a successful company solves real needs of consumers. The more important the problem is to the consumer and the better the company's solution compared to existing alternatives, the greater the CVP. To go further into detail, a company typically can generate CVP when having the four most common barriers in mind that keep people from solving their problems, which are insufficient skills, time, access or wealth (C. C. M. Johnson 2008).

The CVP of the company MinuteClinics serves as an appropriate illustration. This company's CVP is based on solving the consumer problem "lack of time". Apparently many people in America lack the time to make appointments for a medical check-up and wait several minutes in the waiting room to be asked to see the doctor. Therefore, the company made nurse practitioners and physician assistants available to treat minor health issues. This allows that many basic medical check-ups and treatments are done without an appointment and waiting times are reduced significantly (C. C. M. Johnson 2008).

Moreover, it should be mentioned that in terms of corporate responsibility, the most strategic CSR takes place when a social dimension is added to a company's CVP. This allows making a positive impact on society an integrated part of the overall strategy (M. R. M. Porter, Strategy and Society The Link Between Competitive Advantage and Corporate Social Responsibility 2011).

2.2. The **Profit Formula** defines how the company generates profits for itself, while supplying value to the consumer. It is possible to go very much into detail under this point through for example analysing a company's revenue model, cost structure, margin model, etc. (C. C. M. Johnson 2008).

Nevertheless, the basic profit formula of a food producing company with a fair production process is easily explained. Only through asking consumers to pay a premium relative to products of price competitive companies, the company has the financial ability to have a

positive impact on society on a large scale. Otherwise, it could for example not pay fair wages to its supplying farmers, make social investments, educate their consumers to increasingly value food, etc. Nonetheless, this positive impact of the company on society has also implications that are beneficiary to the company itself, which are described in detail in the analysis part of the thesis.

2.3. **Key resources** are a company's assets such as its human capital, facilities, equipment, channels, and brand, which are required to actually deliver the CVP to the company's targeted consumer. Besides having key resources, every company also has generic resources that do not provide a competitive advantage (C. C. M. Johnson 2008).

Therefore, it is analysed which of the companies' resources can be defined as key and which as generic resources. Moreover, it is elaborated how key resources assure a competitive advantage and how they support building a system around the products.

2.4. **Key processes** are managerial and operational processes, which deliver the value created by the company to the consumer. These processes have to be repeated successfully and increased in scale. Typical key processes can be of very different areas such as product development, procurement, hiring and training, marketing, etc. Moreover, key processes are supported by Rules and Metrics such as supplier terms, margin requirements for investments, etc. and Norms such as approach to consumers and channels. (C. C. M. Johnson 2008).

Similar to resources above, as well for processes it is analysed which the crucial ones are and how they support the system approach.

Moreover, it should be highlighted that it is usually not an individual resource or process that makes a difference but the relationship of many resources and processes to one another (C. C. M. Johnson 2008).

3. **A Careful Market-Adoption Strategy** is of great importance when it comes to a novel business model. It is complicated to introduce it to the market and if and how it is accepted is ambiguous. Nevertheless, it is suggested to take an emergent approach, which means to make predictions about in what way the novel business model is most likely adopted by the market. Inexpensive, creative and quick ways have to be found to test the predictions. Therefore, the novel business model should be tested on a small scale with lowest

investment to demonstrate the concept (J. S. M. Johnson 2011).

This approach is necessary because the offering of a food company to produce products with regard to genuine fairness has to simply create outside demand first. Low demand is due to the difficulty of having to explain to people why to take fairness into consideration when purchasing groceries. Especially if the input ingredients such a company refines, such as cocoa beans, coffee beans and herbs, are not harvested in the same region as the consumers are to be found.

Moreover, such a company will have shortcomings in the beginning because it cannot offer 100% fairness all through from the first day onwards. It has to develop its resources and processes over time to assure this level of fairness to its consumers. But in order to be able to do this, consumers have to be willing to overlook the early shortcomings and trust the company to improve over time.

How the researched companies deal with these points is going to be analysed.

4. When it comes to **A Favourable Government Policy**, theory suggests that the government only supports market-ready clean technologies that are profitable (J. S. M. Johnson 2011).

This information is clearly not relevant to this thesis.

Nevertheless, when it comes to a favourable government policy, the paper on Shared Value creation, offers important and relevant information (M. R. M. Porter, Creating Shared Value 2011). It states that while proper government regulations animate companies to pursue shared value creation, improper ones work against such purposeful intentions. Therefore, four suggestions are given by the paper how government policies should be formulated in order to encourage shared value creation. First, long-term decision making is rewarded instead of short-term profit maximization. Secondly, the government puts in place nationwide measurement and performance reporting systems. This would allow generating bench marking data for each industry. Thirdly, based on the second point, measureable and clear social goals are set in terms of energy use, safety, health matters, etc. Performance standards according to these social goals are set after a defined phase-in period for meeting these standards. This gives companies the chance to develop new resources and processes in order to adapt to the new policy. Nevertheless, it is not the government that prescribes methods but it is the companies themselves that decide how to achieve them. Finally, it is

not rewarded to comply with a certain minimum standard, but the amount of reward adjusts to the actual social goal. Thus, the better the social and environmental performance of the company the higher the reward, which encourages companies to always improve their performance (M. R. M. Porter, *Creating Shared Value* 2011).

Based on these four suggestions, it is analysed how the researched companies perceive government policies for food companies with a strategic and genuine corporate responsibility approach. Do they act in accordance with the four suggestions to encourage shared value creation? Are they favourable or unfavourable in general and what could be done from government's side to improve the overall situation?

Moreover it has to be mentioned that due to the fact that favourable government policies are one important determinant of *"Enabling Local Cluster Development"*, which is discussed under the Shared Value theory, these two points are merged. Therefore, in the analysis part, the fourth point of the Systemic Model Approach theory is named *"Enabling Local Cluster Development"* instead of *"A Favourable Government Policy"*.

Bottom line, when the Systemic Model Approach theory is applied, it is analysed what measures the researched companies implement in order to starting a genuine CSR revolution. But it is as well analysed if these companies share communalities in their approach. If that were the case, general lessons could be learnt that other companies can apply as well to improve their impact on society.

3. Model

In this chapter a model is established and described before it is used for orientation in the Analysis chapter. Therefore, it first has to be highlighted that the conducted research is of exploratory nature. An exploratory research is applied if there is hardly anything known about the analysed subject. In the case of this thesis, theories exist that give some indication on the research questions (as explained in the theoretical chapter). Nonetheless, it is claimed that these theories had to be adjusted in order to fit the specific purpose of this thesis. In general the applied theories lack three different characteristics.

First, the applied theories were not established for this particular subject. This thesis is about Austrian companies in the food producing industry. Especially the Systemic Model Approach Theory was established for start-up companies in the clean technology sector. Even though the key concept of the theory is kept, it is still a very different approach how it is applied in this thesis. Thus, several theories are modified to fit this thesis's subject. Secondly, in the theoretical chapter on evaluating a company's impact on its stakeholders, two CSR tools, not theories, ("ISO 26000:2010 - Guidance on social responsibility" and "Common Welfare Balance Sheet") are illustrated. These CSR tools act to support an actual theory, which is the Stakeholder Theory. As far as known today, there is no theory that suggests several initiatives a company should apply, in order to have an improved impact on society. Hence several relevant initiatives from the two CSR tools were combined in table 1. Thirdly, theories were combined in order to fit the thesis's topic as best as possible. The System Model Approach theory and the Shared Value Creation theory were combined. Due to the three reasons pointed out above, it is claimed that conducting an exploratory research is the valid approach for this thesis topic.

Due to the fact that an exploratory research is conducted, the results of this thesis serve to better understand a given context. The context of this thesis that should be better understood is what a company with a genuine CSR approach in the food producing industry should do, in order to ensure a truly positive impact on society and create a competitive advantage at the same time. Consequently, the result of this thesis is not a suggestion of what specific decisions the managers of the three analysed companies should make. However, the thesis gives a proper understanding of the general business context that is described above. Based on this understanding, managers can orientate themselves.

Based on the several theories described in the theoretical chapter, a model is created. This model illustrates the key concepts of this thesis and how they are in relationship with each other.

Moreover, as is pointed out, the established model of this chapter is used in the Analysis chapter. The analysis is based on in-depth information from interviews of respective firm representatives and an extensive online and offline research. It can be anticipated that the three firms seem to achieve both, a substantial positive impact on society and a competitive advantage compared to other players within their industry. These two factors are also the determinants that are asked for at the second research question. Therefore, it comes down to the established model having to find key concepts that ensure the two key factors mentioned above.

The thesis consists of two individual but intertwined research questions. The first research question acts as a prerequisite in order to answer the second one. That is why it is possible to construct only one model. Nevertheless, it is decided to construct one model for each research question due to the fact that this facilitates the understanding and enhances clarity. Still, it is explained where the two models connect and fit into each other.

Since both research questions use the terms “genuine” and “strategic CSR approach”, it is reminded that these terms are defined in the introduction.

The first research question is: **“In what ways can companies with a genuine CSR approach initiate a positive impact on society?”** As explained in the introduction, the term “initiate” is used because the theories that are applied to answer this research question rather give hints what a company should do to start having a positive impact on society, instead of providing an overall strategy from which such initiatives evolve naturally on a continuous basis.

First, the stakeholder theory explains that a company’s decision makers should not only have shareholders in mind but several other entities that a company has an impact on and that the company is affected by respectively. This theory also suggests prioritizing these several entities, referred to as stakeholders, according to the following three attributes “power”, “legitimacy” and “urgency”. Nevertheless, it does not give further illustration in what way these stakeholders should be treated neither what strategy a company should pursue to

best possibly achieve a beneficial outcome.

Secondly, the two CSR tools “ISO 26000:2010 - Guidance on social responsibility” and “Common Welfare Balance Sheet” are explained in the theoretical part. As already indicated, CSR tools as these both often emphasize the activities a company should prevent to not have a negative impact. Nevertheless, both CSR tools also mention several initiatives a company should pursue in order to improve its impact on society. These were selected, combined according to their stakeholder group and are illustrated in Table 1. In total it is 23 initiatives that are clustered for 7 different stakeholder groups. Therefore, Table 1 consists of 23 starting points that serve to spark ideas a company can implement, in order to improve its impact with regard to its several stakeholders (find Table 1 on page 25 for detailed information). This is also what the two tools should be used for. They support observing the status quo on how a company performs with regard to stakeholder engagement and give ideas on what further initiatives a company can implement to improve the status quo. Hence, these tools do not give a company’s decision makers a broader picture of how implementing such initiatives fit in the overall concept of the company and how the company’s strategy should be adapted accordingly.

Therefore, the theoretical chapter of this thesis in terms of CSR only supports companies to initiate a positive impact on society. Based on the above description, the following model is constructed:

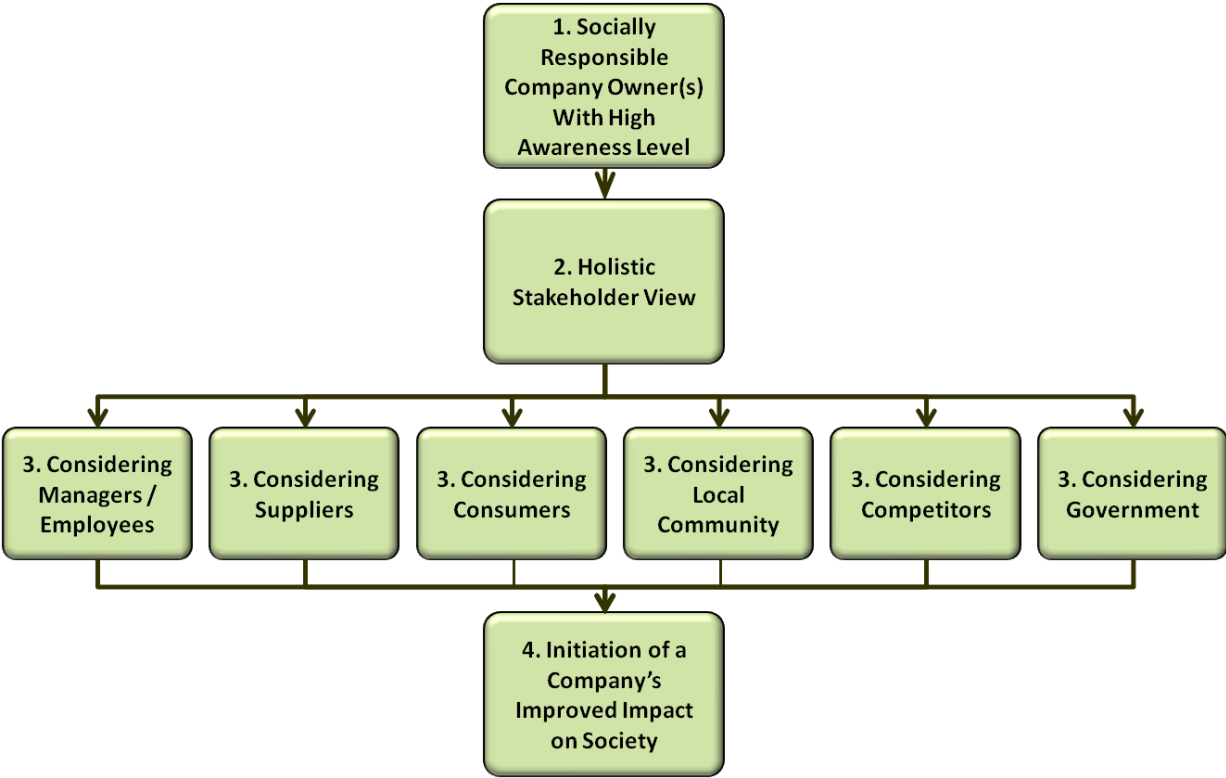


Figure 3: Model Referring to Research Question 1

For clarification issues, several points have to be highlighted. First, the numbering system from number 1 to 4 is chosen, to indicate the four different levels. Secondly, the third level includes all stakeholder groups that were worked out in the theoretical part, except the “Owner”. The level one rectangle is representative for the stakeholder “Owner”. This is the case because the owner of a company theoretically has the power to decide himself/herself which actions to take. In corporations with several thousand employees, decision making is more complex for a CEO due to Boards of Advisors and Supervisory Boards. In this case the first rectangle would be named “Socially Responsible Company Decision-Makers with High Awareness Level”. But for CEOs of medium size enterprises that are typically also the owners, it is more likely the case that they take the decisions themselves. Due to the fact that the firms analysed in this thesis are such medium size enterprises, it is chosen to name the first rectangle as it is. Additionally, even though one or the other stakeholder has to be

prioritized according to a given context, in general, all stakeholder groups should be considered at the same time. That is why they are illustrated in parallel.

Moreover, the relationships effects have to be explained in detail that shall lead to (4) an initiation of improving a company's impact on society.

(1) The model starts on level one with a company owner that is socially responsible and has a high level of awareness. Socially responsible refers to the owner taking over responsibility for the impact its company has on society. Hence, it is not an owner that tries to shift the responsibility of a company's negative impact on other parties or a given circumstance that might put a company under pressure. Moreover, the owner proves awareness on two layers. First, that its company can have a positive or a negative impact on society through its actions. Claiming that the company has a positive impact simply by providing shareholder value and jobs, such as Friedman (1970) stated, is not enough as illustrated in the theoretical chapter in the Triple Bottom Line theory. Secondly, the owner is aware of global economics within its industry. Therefore, to give a simple example, the owner of a chocolate manufacturing company knows that cocoa is traded on stock markets and the commodity's price is highly volatile to the given supply and demand dynamics (CB Financial Services Ltd UK n.d.). Moreover, such an owner also knows that a small cocoa bean farmer is dependent on selling its crops for a reasonable price, in order to afford a living for him and its family. Thus, a socially responsible owner with a high level of awareness, is aware of the fact that if its company pays farmers (directly or indirectly through intermediaries) only the minimum price for cocoa beans in times the market price for this commodity is low, this farmer and its family has to struggle for survival. Therefore, the owner pays an adequate price so that the farmer and its family can afford a reasonable living. (2) Due to the fact that the company owner has the characteristics described above, a holistic stakeholder view is implemented. (3) This means, that the stakeholder groups "Managers / Employees", "Suppliers", "Consumers", "Local Community", "Competitors" and "Government" are considered pre-eminently by the "Owner" but also by representatives of the "Managers / Employees" stakeholder group. An exception might be small sized enterprises that only have one clear leader and a few employees whose tasks are solely operational. Such small sized enterprises could be electrician firms, roofer, etc. But as soon as a company reaches a certain number of employees and has to have an organizational structure with more than just one hierarchy, it

is not only one owner but several people that are together responsible for a company's actions. Nevertheless, it is the "Owner" that has to act as a role model in this regard to ensure that the representatives of the "Managers / Employees" stakeholder group follow the same approach. (4) If this is achieved, it is initiated that a company improves its impact on society. Nevertheless, this does not ensure that a company is successful in having a positive impact on society, nor that it is successful in gaining competitiveness.

The second research question is: **"What strategy shall companies with a genuine and strategic CSR approach pursue, to increase their positive impact on society and at the same time improve competitiveness?"**

The second research question builds on the first one. While the first one is about how to improve a firm's impact on society, the second one indicates how to do this successfully in terms of impact on society and competitiveness. Therefore, the "Systemic Model Approach" theory and the "Shared Value Creation" theory are described in the theoretical chapter, in which it is claimed that they can be merged for the purpose of this thesis. Combined, they describe that if a food producing company adds "fairness" to the already existing characteristics "price" and "quality" that is competed on, simply having a novel approach to business is not enough to be successful. Thus, according to the theories, such a company has to adapt its business model, choose a careful market-adaption strategy and enable local cluster development.

Therefore, based on the theoretical chapter of this thesis in terms of Strategy, the following model is constructed for the second research question:

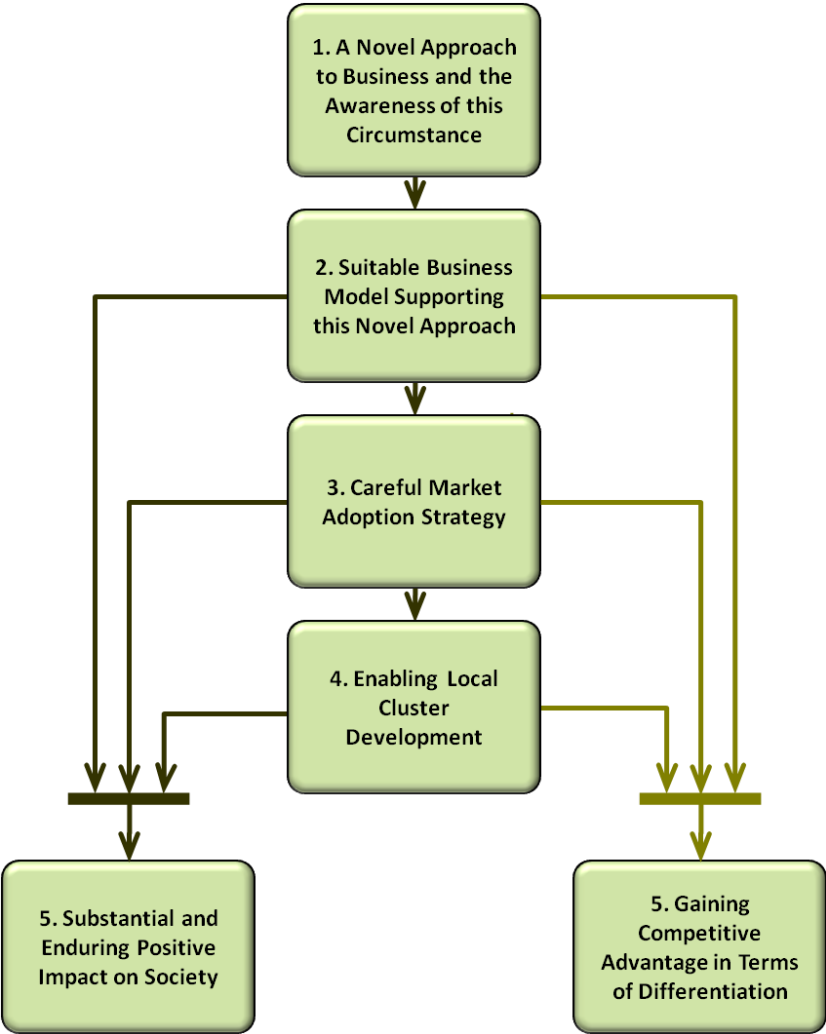


Figure 4: Model Referring to Research Question 2

Yet again, several points have to be highlighted for clarification issues. First, the word “novel” means that companies had not truly implemented a genuine and strategic CSR approach before. A company such as Patagonia (see page 11) is one of very few exceptions in the history of for-profit organizations that implemented such a CSR approach. That is why it is argued that even today it can be referred to a “novel” business approach. Secondly, the numbering system functions in the same way as for the first model by illustrating the several levels. Theoretically, number two, three and four could run in parallel with the prerequisite of number one. But, it is claimed that this is only the case if an existing company with a traditional business approach is on its way to transform itself to a company with a genuine and strategic approach. Then, after having reformulated its approach to do

business, such a company can at the same time work on improving the levels number two, three and four. But this is not the case for the analysed companies. They had a genuinely CSR approach since their foundation. That is why they had to come up with (2) a business model, (3) a market adaption strategy and (4) an approach how to engage within its local cluster from scratch. Even though these firms might have had a genuinely CSR approach from the beginning, they nevertheless redefined and continuously improved their activities with regard to CSR over time. Still, it is argued that the general idea of how to do business has not changed for these companies. Due to that, they implemented one level after the other as it is described in the sequence of this model.

Thirdly, the sequence of the model is as the following. (1) It is claimed that firms with a novel business approach also have to be aware of this novelty. In the case of a company lacking the awareness of this, it tries to fit its approach into the existing system. As it is argued in the theoretical part of the “Systemic Model Approach” theory, a firm cannot be successful in doing so. (2) Therefore, according to the “Systemic Model Approach” theory, such a company first implements a suitable business model supporting its novel business approach. (3) Afterwards, it develops a careful market-adaption strategy to establish a market approach to sell its products as best as possible.

(4) Finally, once such a company’s products are available on the market, they start improving their local cluster. While the activities number (1), (2) and (3) occur once, (4) is a process that is on-going and has to be improved over time. Only long lasting relationships enable a cluster development in which impactful win-win situations are created. (5) Therefore, if a company with a genuine and strategic approach to CSR follows the activities (2) to (4), it is argued that two things take place. First, such an enterprise should have a substantial and enduring positive impact on society according to theory. The reason why this is the case is due to the fact that the company has implemented CSR in its strategy. Thus, having a positive impact is not something happening only as a side effect if the performance is good enough to share some of the generated value, but it is taking place naturally (see the example of the company TOMS on page 25-26). Secondly, this company should also gain competitive advantage within its industry. On the one hand side this is due to the fact that the company established long-lasting relationships to stakeholders characterized by win-win situations. On the other hand side the company created key resources and key processes that support to produce products on a fairness-level that comparable companies are not

able to. Furthermore, it is argued that this competitive advantage is not in terms of price but in terms of differentiation. It is further elaborated on gaining competitiveness in terms of differentiation in the Analysis chapter.

Finally, the two models are combined as illustrated below and it is explained at what point and how they intertwine.

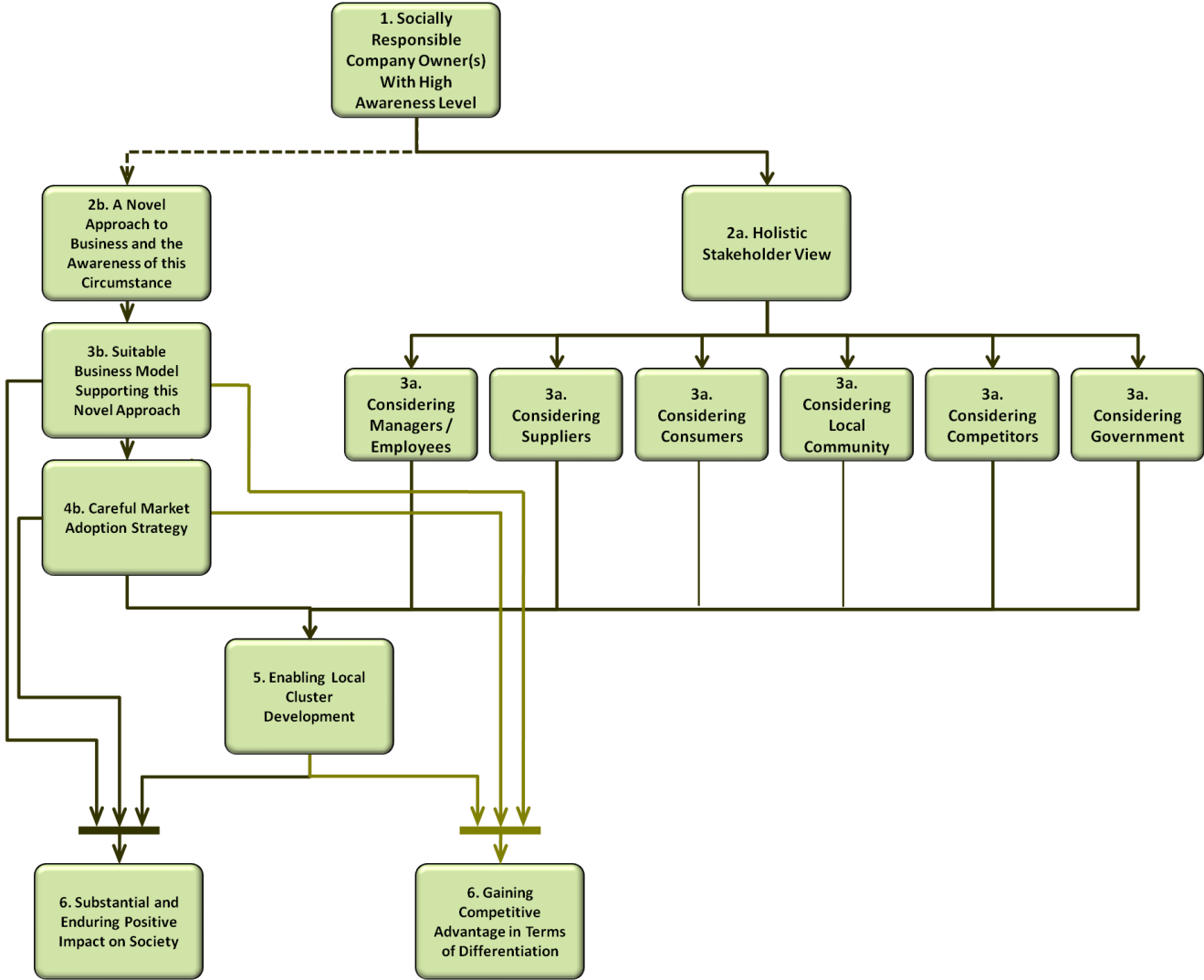


Figure 5: Combined Model

The sequence of the model is described. (1) It is the owner that decides the course of its business. That is why it is argued that if it is a socially responsible owner with a high awareness level, it will induce a (2a) holistic stakeholder view that allows (3a) to consider all stakeholder groups illustrated. (2b) Moreover, it is claimed that if, but only if, this owner is also aware of how to implement its social responsibility and high level of awareness in the business strategy, it will have a novel approach to conducting business. Otherwise it is only

the initiation that is described in the first model that takes place. (3b, 4b) As it is described in model two, if the owner is aware of its novel approach, it can create a suitable business model that supports this approach and later on define a market-adaption strategy. (5) It is claimed that at this level the two business models intertwine when the holistic stakeholder view and the market-adaption strategy act as the prerequisites for a firm enabling local cluster development. Clearly, a firm has to have a holistic stakeholder view before it can enable relationships to its several stakeholders. And the market-adaption strategy is a prerequisite because as long as an enterprise has not successfully penetrated a market, it is most likely invisible to other entities on the market and its stakeholders respectively. (5) Therefore, if the above described prerequisites are given, a company is able to create win-win situations with its several stakeholder groups. (6) Finally, it is claimed that if a company fulfils the numbers (3b), (4b) and (5) it will have a substantial positive impact on society and at the same time gain competitive advantage.

4. Industry Presentation

In this chapter the industries that are most relevant for the respective companies are introduced. While the company Zotter produces almost exclusively chocolate (recently it also launched coffee products), the two others, EZA and Sonnentor, have several different products in their portfolio. Which kind of products these are, is explained in more detail in the Data chapter. Nevertheless, it is anticipated that the highest turnover product of EZA is coffee and of Sonnentor it is tea. Thus, it is the chocolate confectionary, tea and coffee industry that are of major importance to this thesis.

Moreover, it is claimed that there is a term that describes the communality between these three industries better than simply referring to them as firms of the Food and Beverage Industry. After this is figured out, each of the three relevant industries is described in brief. Even though global facts are given, the focus is on facts relevant for the country Austria. Besides that, information on social injustice within these industries is provided. Finally, it is highlighted that the most recent figures that are available are used as references in the further course of this chapter.

Communality between the respective Industries

After it was dealt in depth with the chocolate confectionary, coffee and tea industry, it is claimed that the German term "Genussmittel" describes the communality of these industries best. "Genussmittel" literally translated means pleasure or enjoyment item and refers to groceries that are not primarily consumed due to their nutritional value, but because of their taste and stimulating effects. Therefore, it theoretically includes food and beverage products but also addictive substances. Literature points out that the evaluation of the term's meaning depends on the socio-cultural context (T. Hengartner 1999). That is why also opium was a substance that could be referred to as "Genussmittel", when in the 19th century mostly sailors smoked it in opium dens (W. Schmidtbauer 1988). Nevertheless, according to today's literature, the following food and beverage items are summarized under the term "Genussmittel": Alcoholic beverages, coffee and tea, cocoa, chocolate, sugar and herbs and tobacco. The reason why it is referred to a German term to determine the communality between chocolate, coffee and tea, is due to the fact that the English language does not offer an equivalent term. According to literature, the term that comes closest to "Genussmittel" is "luxury foods". Nevertheless, the English term refers to commodities that

are rare and expensive. Therefore, these commodities are seen as luxury (T. Hengartner 1999). But this term describes for example luxury ingredients such as saffron, caviar and truffles but not coffee, chocolate and tea because in most parts of the world they are not seen as pure luxury anymore. Therefore, in the further course of this thesis, it is referred to "Genussmittel" when coffee, chocolate and tea are mentioned in a single term.

Another reason that it makes very much sense to group the three industries together is due to their export and supply chain characteristics. While raw products are harvested in countries located near the equator, they are predominantly exported to Western Europe and North America. The major cultivation countries are Brazil (Coffee), China (Tea), Colombia (Coffee), India (Tea), Ivory Coast (Chocolate), Kenya (Tea), Sri Lanka (Tea) and Viet Nam (Coffee). More information about these countries is given in the individual industry presentations. Additionally, it is highlighted that in Western Europe and North America the end products are not only consumed, but also the most financial value is added to the commodities in these regions.

To have a better understanding of the above mentioned given situation, the typical value chain within the three industries is described in simplified terms. Plantation, harvest and the major processing takes place in the cultivation countries such as Colombia, Ivory Coast, Sri Lanka, etc. In the tea industry for example it is only blending as the final production step taking place in the buying countries (Wal 2008). This is similar to the coffee (roasting (TCC 2012)) and the chocolate confectionary industry (mixing cocoa powder with sugar, cocoa butter and milk (TCC 2011)) where as well only the final production step takes place in the buying countries. Nevertheless, this step, together with packaging and marketing are the processing stages within the value chain that generate the most lucrative value. Thus, it is not the producing but the buying countries that get the largest proportion of the profits (Wal 2008).

While for example China and India produce tea mainly for local consumption, countries like Kenya and Sri Lanka are highly dependent on exports. These two countries together control 40% of world exports of tea. Thus, in Kenya, 10% of the population or around 3 million people make their living in the tea industry and are highly dependent on an adequate price for their crops. But the global tea prices are very much under pressure due to oversupply. Thus, from 2000 to 2005, the global tea prices were cut in half compared to the 1980s

(corrected for inflation). Since production costs have increased and not decreased in the last years, the tea industry is under pressure. Scientific studies prove that these facts have a negative impact on working conditions within the industry. Among others, wages for tea pickers are low, trade unions are either non-existent or corrupt and when workers get injured at work, they have to protect themselves at their own expenses. Moreover, mostly temporary workers are employed at plantations that get paid at a piece rate price (especially in Kenya this employment practice is common). Thus, the workers' income depends on her/his fitness, the season and the weather conditions in general (Wal 2008).

Challenges for plantation workers such as described for the tea sector also exist in the coffee and cocoa sector. In the cocoa industry for example it is claimed that child labour is very common. Especially in the Ivory Coast up to 200,000 children are employed on cocoa plantations (M. Mistrati 2010).

Summarized, it is millions of rural households that make a living in the cocoa, coffee and tea sector. Even though they work hard to earn a living, they are often trapped in low-paid labour (Wal 2008). This leads to the situation that these people's fortune is not in their own hands. They depend on global commodity prices influenced by brokers, the support of NGOs and the mostly Western companies within the industry they deliver the raw ingredients for. Without the support of these stakeholders they cannot determine the improvement of their own working and living conditions.

4.1. Chocolate Confectionery Industry

In 2010, 3,613 million tonnes of cocoa were produced, of which 68% had their origin in Africa. Within Africa, Ivory Coast is clearly the largest cocoa producer, which is responsible for around 34% of the global cocoa production (International Cocoa Organization 2009/2010).

It is around nine companies only that dominate the chocolate industry. Three of them account for almost 40% of the world market's total cocoa grinding. These are the grinders Cargill (14%), Barry Callebaut (14%) and ADM (12%), which together have a grinding capacity of 1,444,000 tons of cocoa beans per year. The other six companies are the chocolate confectionery companies Mars Incorporated (15% world market share), Nestlé (14%), Hershey (8%), Kraft Foods (8%), Cadbury Schweppes (7%) and Ferrero (7%). Together they are responsible for delivering 59% of the world's chocolate confectionary to consumers

(Oxfam 2008).

It is pointed out that only 0.1% of the world's cocoa is fair traded and only 0.6% ecologically cultivated (W. Wildner 2012).

The year 2011 was characterized by all-time high prices for most key ingredients of chocolate. Especially the cocoa prices rocketed, mainly due to political unrest since the late 2010 in the Ivory Coast, which is the key growing area of cocoa. This led to a unit price increase to €11.01/kg of chocolate confectionery in 2011. To avoid consumers turning to cheaper products, most companies in the industry reduced pack sizes instead of increasing the actual price of their products. Primarily chocolate confectionery with high chocolate content is therefore affected by price increases per unit (Euromonitor International 2011).

Chocolate consumption per year per capita in Austria is 7.9kg, in Germany 11.4kg and in Switzerland 11.7kg (W. Wildner 2012). Even though the year 2011 was characterized by high prices for chocolate's key ingredients, the chocolate confectionery industry in Austria nevertheless increased by 4% from 2010 to 2011 to reach a total turnover of €691 million (Euromonitor International 2011).

In 2010, the competitive landscape was dominated by Kraft Foods (37.1% market share). It is ahead of Ferrero (11.0% market share) and Lindt & Sprüngli (10.1% market share). The success of Kraft Foods primarily builds on its brand Milka, which has a market share of 28.7%. This brand is characterized by values such as authenticity and regionality. First, authenticity is described as practicing honesty and integrity and is considered important because consumers want to purchase products from firms that practice what they preach (Brand Navigator 2012). Secondly, an international company such as Kraft Foods does not have one global, centralized strategy but a decentralized approach if it pursues a regional strategy. Thus, regionality is referred to as adjusting the strategy and taste (in the food industry) according to regional preferences (Ghemawat 2005). The brand Milka is a great example because a cow on grassland is the image presented. This image fits very well in Austria due to the country being an Alpine region. That is why consumers think they purchase an Austrian and not an American product. This is also the reason that Milka should not be considered authentic because Kraft Foods creates an Austrian image even though its origin is different. Nevertheless, the company's marketing experts apparently achieved to

trick consumers in this regard.

With its current television campaign “Trau dich zart zu sein” (“Dare to be tender” in English) it can be observed that the Milka brand wants to be perceived as a family brand that asks consumers to better treat each other. According to marketing officials of Milka, it is more difficult in today’s society for people to stay in touch due to ever busier lifestyles (Euromonitor International 2011).

Josef Manner is the most successful domestic company in the industry even though it has only a 2% market share (Euromonitor International 2011).

The in this thesis analysed company Zotter, had a total turnover of €14.7 million in 2011. Due to the fact that around 55% of the turnover was generated through exports, it is €6.615 million that were generated within Austria (W. Wildner 2012). Since the total market volume is €691 million (Euromonitor International 2011), Zotter’s market share in Austria is around 0.957%.

In the next years the trend of premium products will further increase according to forecasts. The premium segment in the chocolate confectionary industry is defined by high-quality ingredients, package design and origin. The outlook predicts that companies will focus on quality and luxury while trying to move away from a mass production image with no clear positioning (Euromonitor International 2011).

4.2. Coffee Industry

In 2010, coffee accounted for a trade worth of approximately €13 billion. Today, 70 countries produce coffee, of which only three countries together have produced 55% of world's coffee in recent years. These are Brazil (32%–34%), Viet Nam (12%–13%) and Colombia (8%–9%). The major three coffee-roasting companies Kraft Foods (13.5%), Nestlé (12.8%) and Sara Lee (8.5%) refined and supplied 34.8% of the world's coffee in 2010. Since the early 1980s, global coffee consumption rose by an average of around 1.2% a year. This led to a consumption of 8.1 million tons in 2010. Moreover, it is highlighted, that out of the 8.1 million tons around only 0.102 million tons (1.26% of the total) was coffee with a Fair-Trade certificate in 2010 (International Trade Center 2011).

The highest per capita consumption of coffee takes place in the Nordic countries such as Denmark, Finland, Iceland, Norway and Sweden. In each country, around 10kg of coffee are consumed per year per person (International Trade Center 2011). In Austria, it is also common to drink coffee and the per capita coffee consumption was 7.2kg in 2011 (Austrian Press Agency 2012).

Before facts and figures of Austria's coffee industry are given, the difference between off-trade and on-trade has to be explained. While off-trade refers to beverages sold and consumed at the same place, for example in restaurants, bars and hotels, on-trade refers to beverages sold at for example supermarkets and are consumed in a different place, such as at work, at home, etc.

Describing the coffee industry is relevant to this thesis due to the fact that coffee is EZA's major product of its portfolio. Since only 9.0% of EZA's products are sold to "Gastronomy & Reseller" the off-trade figure is more important (EZA Fairer Handel GmbH 2011). Thus, unless otherwise stated, off-trade figures are given.

While volume sales decline by 1% to reach 41,118 tons in 2011 in Austria, value sales grew by 4% to €565 million. This industry development took place due to a weak harvest in 2009/2010, a rising global demand and intensive price speculation of coffee brokers. This led to an increase of 5% for the average unit price to €13.70 per kg because coffee manufacturers had to pass on the additional costs to consumers. The best performer in 2011 was fresh ground coffee pods with more than 20% total volume growth. Coffee pods benefited due to the prevalent convenience trend combined with a rising number of small

and single-person households. Thus, several new coffee-pod-products were launched. Even though one would think that instant coffee benefited as well from the market trends in Austria, it recorded the strongest decline in 2011. This was apparently caused by consumers switching to coffee pods (Euromonitor International 2012).

Kraft Foods Österreich GmbH with brands such as Jacobs, Café Hag and Tassimo continued to lead in terms of market share (16.6%) and is ahead of Tchibo-Eduscho (12%) and Douwe Egberts Coffee & Tea Consumer Products GmbH (5.7%). Thus, it is international companies dominating the Austrian market. Julius Meinl, as the best performing Austrian company on the market, reaches a 4.2% market share in 2011 (Euromonitor International 2012). EZA's total turnover was €14,881,107 in the fiscal year 2010/2011, of which 8.3% were exported. Thus, total turnover within Austria was €13,645,975. Coffee, as the strongest product in the company's portfolio, was responsible for 34.0% of the total turnover (€ 4,639,631 within Austria) (EZA Fairer Handel GmbH 2011). Due to the fact that the total turnover in Austria was €564.8 Million (Euromonitor International 2012), EZA's market share was 0.82%.

According to forecasts, coffee is expected to improve in overall value and volume terms due to increased importance of the coffee culture in Austria. Especially when it comes to coffee pods, consumers can expect further product innovations. And in general, increased demand for premium products is the major trend in the coming years according to forecasts. This is expected to lead to a rising demand for organic and fair trade coffee products. If companies do not adhere to these concepts, consumers are expected to increasingly switch to other products fulfilling such standards. Besides the trend towards premium products, also convenience will continue to be an important trend which will influence the Austrian coffee industry (Euromonitor International 2012).

Moreover, it is expected that average unit prices for coffee will rise, mostly due to extreme weather conditions in the world's major coffee producing countries (Euromonitor International 2012).

4.3. Tea Industry

In 2010, China, India, Kenya and Sri Lanka together produced around 72% of the world's global tea. From 2006 the global tea production increased from 3.4 million tons to 3.8 million tons in 2009. Even though India and Sri Lanka belong to the world's major tea producing countries, they consume considerably less per capita (India: 0.8kg and Sri Lanka: 1.2kg) than for example the UK (2.1kg), Turkey (2.7kg) and Ireland (2.7kg) (Prepared Foods Edition 2010). In 2009 in Austria, 2,828 tons of tea (Renner 2010) were consumed by 8,365,401 Austrians (Hanika 2007), which makes a per capita consumption of 0.34kg.

In 2011, the market size of the tea industry in Austria was €90.8 million and recorded a 1.79% increase compared to 2010. The year 2011 was characterized by prices of raw tea that hit a record high since 2009. Thus, manufacturers of tea faced rising production costs. Nevertheless, the higher costs were not passed on to consumers due to tight competition within the industry.

Due to the continuous health and wellness trend in Austria, green and herbal teas recorded higher sales figures in 2011 because they are associated with health-enhancing properties. This led to black and fruit teas losing shares to green and herbal teas (Euromonitor International 2012).

The competitive landscape was dominated by Teekanne GmbH (40% market share) and Milford Austria GmbH (16% market share) in 2011. Consumers value the adaptation of flavours to Austrian taste, which both companies fulfil (Euromonitor International 2012). Sonnentor, the company that is analysed in this thesis, recorded a turnover of €24.7 million in 2011. With a 42% share, tea is the company's major product, which alone generated €10.27 million. Due to the fact that around 75% of the turnover is generated abroad, €2.59 million were generated in Austria only (SONNENTOR Kräuterhandelsgesellschaft mbH 2012). This leads to Sonnentor having a market share of 2.86% in Austria's tea industry (total turnover within Austria is 90.8 million as described above).

Forecasts predict that Austrian consumers will keep on valuing healthy products with natural ingredients and in addition increase their social and environmental concerns with regard to tea. That is why teas with health benefits and organic and Fair-Trade certificates are expected to be the most successful in the next years. Due to that, expectations are that

more manufacturers will acquire organic and Fair-Trade certificates (Euromonitor International 2012).

5. Data

In this chapter the most relevant data of the three analysed companies is presented. The respective firms are Zotter in the chocolate confectionary industry, EZA in the coffee industry and Sonnentor in the tea industry.

The most important source for obtaining the data is interviews that were designed and conducted for the purpose of this thesis. It is standardized questionnaire that asked respondents for qualitative data. Thus, each company was asked to answer the same questions. This is the foundation for a sound comparison of the firms. Therefore, it allows figuring out similarities and best practice examples of the firms' business approaches.

The company representatives from EZA and Zotter wanted to have the questionnaire sent via Email due to the possibility of filling it out whenever it suited them time-wise. In addition it should be stated that clarifications occurred via Email correspondence. The third interview with the company Sonnentor took place via a Skype call. This allowed the clarification of potential ambiguity immediately. Moreover, it should be mentioned that the questionnaire is written in German in order to simplify the work for the three company representatives. Nevertheless, the translated questionnaire can be found in the appendix.

In total, the questionnaire consists of 25 questions that are separated in two parts. The first part (18 questions) is with regard to the theoretical chapter on Corporate Social Responsibility. When having the first model in mind (Figure 3: Model Referring to Research Question 1 on page 38), the goal of asking these questions was to get in-depth information on the companies' initiatives concerning their several stakeholders. The information gained for the first 18 questions is combined with information from other sources (annual reports, firm websites, books, etc.) and presented in this chapter. The way the data is presented in this chapter is illustrated on the next page.

Moreover, it is anticipated that all three companies have a broad stakeholder view and have embedded several stakeholder initiatives. The data gained for each firm is presented value-free in this chapter before it is analysed in the Analysis chapter.

The second and smaller part of the questionnaire (7 questions) is in relation to the theoretical chapter on Strategy. Even though data is in general necessary to analyse a firm's strategy, it is nevertheless seeing the correlation of several individual initiatives to properly grasp a firm's strategy. That is why the second part of the questionnaire has only a very few

questions and the data only serves to spark the analysis. This leads to the reason that the information that was gained in the second part of the questionnaire is not presented in this chapter but is used in the Analysis chapter only.

To gain additional relevant data for this thesis, books, annual reports, company websites and online newspaper articles were carefully read, besides having conducted the interviews. The respective companies have a highly transparent approach to business, which allowed finding sufficient relevant data. With regard to obtaining information on the firm’s approach towards sustainability and fairness, Sonnentor’s “Common Welfare Balance Sheet” (SONNENTOR Kräuterhandelsgesellschaft mbH 2012) and Mr Zotter’s second book “Kopfstand mit frischen Fischen” (W. Wildner 2012) were especially rich in relevant information.

It should be highlighted, that the data in this chapter is grouped according to the structure of Table 1: Initiatives Clustered for Each Relevant Stakeholder Group (find Table 1 on page 25). Thus, for example all relevant data that was obtained with regard to the stakeholder group “Consumer” and the initiative “Ethical Marketing” is presented below this point. This approach was chosen for each single initiative of the in total 23 initiatives.

But the numbering of Table 1 and of this chapter is not consistent. Therefore, the table is presented one more time (Table 2) with the same content but an adjusted numbering.

Owners	Managers / Employees	Suppliers	Consumers	Local Community	Competitors & Government
1.1. Strategic CSR	2.1. Employment of Minorities	3.1. Inspecting Production Facilities of Suppliers	4.1. Offering Goods to Underprivileged Segments	5.1. Social Investment	Competitors: 6.1. Solidarity with Business Partners
1.2. Culture of Responsibility	2.2. Well-Established Owner to Employee Relationship	3.2. Knowledge Sharing with Suppliers	4.2. Supplying Healthy Products	5.2. Corporate Volunteering	Government: 7.1. Responsibility Lobbying
1.3. Stakeholder Dialogue	2.3. Employee Development Programs	3.3. Long-term Supplier Relationship	4.3. Consumer Education	5.3. Knowledge Sharing with Local Community	
1.4. Awareness of Cultural Differences	2.4. Just Distribution of Labour		4.4. Ethical Marketing	5.4. Workplace Creation	
	2.5. Just and Adequate Salary			5.5. Regionalism	

Table 2: 23 Initiatives Clustered for Each Relevant Stakeholder Group (Adjusted Numbering)

5.1. Zotter Schokoladen Manufaktur GmbH

The company zotter Schokoladen Manufaktur GmbH (in the further course of the thesis referred to as Zotter) was founded in 1999. It is located in a small village called Bergl in the region Styria. Mr Josef Zotter, who is the founder of the company, made an apprenticeship to become a chef and confectioner. After his career as chef of luxury restaurants, he gained a first entrepreneurship experience when he opened several confectionary shops. Even though he was successful in the beginning, he went bankrupt due to expanding too fast and losing control of his business. After he recovered from bankruptcy, he decided to entirely focus on chocolate manufacturing (W. Wildner 2012). Already in the beginning, he applied a technique of his own devising called "handgeschöpft". One layer of one kind of chocolate is spread by hand on another layer of a different kind of chocolate. This technique, which was patented in 2010 (Faqs.org 2010), allows creating various tastes of chocolate. Over 300 different types of chocolate are in Zotter's portfolio. Each year, old creations have to make room for new ones. Each type is wrapped in a package that has an individual eye-catching style created by the art director Andreas Gratze (Zotter 2012).

In 2004, Mr Zotter decided to use only organic and fair-trade ingredients for his chocolate creations. Due to that he became the only chocolate producer in Austria to pursue this strategy (Zotter 2012). Actually, his initial idea was to purchase cocoa plantations in South America to ensure fair working conditions for his suppliers. But corruption prevented him from this approach and thus he decided to apply the fair-trade certificate (M. Khaire 2011). Furthermore, "Bean to Bar" is another catch phrase created by Mr Zotter. It stands for the fact that all manufacturing steps to make chocolate from the cocoa beans take place in Zotter's chocolate factory. Therefore the cocoa beans are washed, roasted, de-bacterized and broken into cocoa nibs. Afterwards, the nibs are grinded in the pre-mill, sugar and milk is added and this mass is again grinded in a mill to refine the chocolate. All of these production steps take place within the chocolate factory in Bergl (Zotter 2012). This approach is very different to the one of regular chocolate confectionary companies, which usually only package, market and distribute their chocolate (W. Wildner 2012).

In the following passages the most relevant information of the company Zotter with regard to this thesis is presented. This information was obtained mainly by interviewing the firm representative Susanne Luef, but also by carefully reading the two books written by Mr

Zotter. In addition, information was retrieved from Zotter's website and Austrian online newspapers.

1. Company Owner & Investors

1.1. Strategic CSR

The company's vision is "To offer chocolate of highest quality in accordance with Fair-Trade and ecological criteria" (Luef 2012).

And when Mr Zotter was interviewed by Harvard Business School because the university wanted to make a case study based on the chocolate confectionary company, he explained that he has the following philosophy: "I don't define my success based on my revenue figures. I am creating trends and great taste. If I manufactured shoes, for example, I would commit myself to making the best shoes in the world. You don't do that because of money." (M. Khaire 2011)

1.2. Culture of Responsibility

Mr Zotter explained that in his company only chocolate is produced that he would also offer to his own family. That is why only fair produced and high quality chocolate comes into question to him. This also explains why 100% of the products produced by Zotter are both, fair trade and organic (W. Wildner 2012).

Since the company Zotter is owned a 100% by the Zotter family, Mr Zotter as the chief executive can easily make his own decisions (Luef 2012). As a result, he has a freedom only few chief executives have. This allows him to make decisions in favour of many stakeholders instead of a few general managers and shareholders.

Furthermore, Mr Zotter gives his best to act as a good role model in terms of sustainability. That is why he drives an electric car and switches on his mobile phone twice a day (Krone 2011).

1.3. Stakeholder Dialogue

At the company Zotter, a Stakeholder Dialogue or something similar is not existent.

Nonetheless, it is pointed out that stakeholders can easily get in contact with the company through email and facebook (Luef 2012).

Moreover, Mr Zotter himself has been on many business trips to his suppliers as described at "1.4. Awareness of Cultural Differences" in more detail.

1.4. Awareness of Cultural Differences

When Mr Zotter is on business trips to meet cocoa farmers he encounters them with respect and tries to understand their point of view (Luef 2012). In total, Mr Zotter has been on more than 30 trips to Latin America and Asia. In order to improve communication with the farmers, Mr Zotter took his children to some of his business trips to act as translators. And today he studies Spanish to improve communication even further (W. Wildner 2012).

2. Employees & Managers

2.1. Employment of Minorities

No minority groups live within the region where the company is located. Nevertheless, five employees that were not born in Austria are employed at Zotter (Luef 2012).

2.2. Well-Established Owner to Employee Relationship

At Zotter, only a two-level hierarchy is established, which is the owner and employees. Thus, it is not in any way differentiated between shop floor employees and office employees (Luef 2012).

Mr Zotter himself also tries to be in contact with his employees as often as possible. That is why he eats at the company's cafeteria to spend time with his employees (W. Wildner 2012).

2.3. Employee Development Programs

Subject specific and language development programs are offered at Zotter (Luef 2012).

2.4. Just Distribution of Labour

No relevant information with regard to this point was found.

2.5. Just and Adequate Salary

Even though the company recorded relatively high profits over the last years, Mr Zotter's approach is not to withdraw high sums of money from the company's account for himself. The profits are kept in the company and invested in employees (e.g. employees do not have to pay for lunch at Zotter's canteen) and big projects. The two latest projects are the "Edible Animal Farm" (find more information at "4.3. Consumer Education") and an expansion to China (find more information at "5.4. Workplace Creation") (W. Wildner 2012).

Moreover, Mr Zotter states that it is important to him that not only his employees earn a just and adequate salary, but also the cocoa farmers. Thus, they get paid additionally around

one third compared to other cocoa farmers of their region. This additional payment consists of a fair trade and organic surcharge. Each farmer that the company is engaged with has a fair trade arrangement. In addition an agreement that states the farmer's commitment to organic cultivation also exists. Thus, every farmer receives the fair trade and organic surcharge (Zotter, Frühstück bei mir 2012).

3. Suppliers

3.1. Inspecting Production Facilities of Suppliers

As it was already mentioned, Mr Zotter has been on over 30 business trips during which also the production facilities of suppliers were inspected (Zotter, Frühstück bei mir 2012).

3.2. Knowledge Sharing with Suppliers

When on business trips, Mr Zotter exchanges thoughts with farmers to get to know their processes better but also to give hints when necessary. Moreover, Mr Zotter gives his suppliers time to adjust their processes to the prerequisites that were set up by Zotter in terms of organic farming (W. Wildner 2012).

Furthermore, an exchange program with suppliers exists. Some of the farmers that work for the company Zotter are flown into Austria, so that they can see how chocolate is made. Even though most of the farmers have harvested cocoa beans all their lives, they usually have never seen how chocolate is made. Thus, they get a better understanding of why the quality of cocoa beans is important and have an increase respect of their purchaser (the company Zotter) because they see how complex it is to manufacture cocoa beans to chocolate (Zotter, Frühstück bei mir 2012).

3.3. Long-term Supplier Relationship

The idea of the exchange program and paying higher wages to cocoa farmers (they earn around additional 1/3 compared to other farmers of their region) is built upon the basis of long-term supplier relationships so that these relationships become most effective (W. Wildner 2012).

4. Consumers

4.1. Offering Goods to Underprivileged Segments

It is indicated if products are lactose-free, vegan or non-alcoholic. These product segments are increasingly produced by the firm. The price of these products is equally high has for

regular products. Nevertheless, products for people with a small budget do currently not exist (Luef 2012).

4.2. Supplying Healthy Products

Mr Zotter states in his first book several positive effects of chocolate. Moreover, he claims that the ingredients as such determine if chocolate is unhealthy or not. Due to the fact that only high quality and organic ingredients are manufactured at Zotter, he claims that his products are by far not unhealthy. Additionally, Mr Zotter calls for sustainable consumption and tells his consumers that there is no need to eat more than one 70 gram chocolate bar spread across an entire week (Lintschinger 2006).

4.3. Consumer Education

The company established several initiatives when it comes to educating its consumers. First, to increase transparency, consumers are invited to visit the factory in Bergl. The visit starts with a short movie in the in-house movie theatre. The guests are told about the origin of the company's major input material cocoa and global problems in the cocoa industry. Therefore, consumers are educated about the harsh conditions cocoa farmers are in. Afterwards a tour takes the guests through the entire factory so that they see each single production step. Last year around 250,000 visitors came to the factory. Apparently, the factory tour is not only popular among Austrians but also among foreign tourists (Luef 2012). Secondly, the so-called "Edible Animal Farm" and a restaurant were built next to the factory. It is a big farm with many different animals that run free. The food that visitors can order in the restaurant was still alive a few days ago on the animal farm. Thus, no matter what a visitor orders, it can be sure of the animals' good living conditions and the origin of the ordered food. Mr Zotter claims that almost no restaurant has this kind of information available and many supermarkets lack it as well. Moreover, he states that many people are not aware of bad conditions in mass livestock farming. Therefore, the "Edible Animal Farm" strives at educating consumers about the importance of livestock living conditions and that consumers should increasingly demand information about groceries (W. Wildner 2012). Thirdly, the company's website and its company magazine also act as tools to increase consumer education. They inform about Mr Zotter's latest trips to cocoa farmers, aid projects the company supports and documentaries related to the food and chocolate confectionary industry (Luef 2012).

4.4. Ethical Marketing

The company's philosophy with regard to marketing is completely different to regular companies. Regular companies often heavily invest in market researches to figure out the company's target segments and the taste preferences of these segments. Mr Zotter states that he is the expert when it comes to chocolate and not the consumers. That is why he mentioned that it would be wrong to ask them for their opinion what they want. In addition to that, Zotter's portfolio includes over 300 different varieties of chocolate, in which seemingly incompatible flavours such as pink coconut and fish gum are included. Therefore, Mr Zotter argues, a consumer would never come up with such creations that are offered by his firm. That is why it would not make sense to conduct market surveys (Luef 2012).

Due to the fact that the firm implements extra-ordinary ideas on a regular basis and has around 250,000 visitors at its factory each year, information about the company Zotter is spread through word-of-mouth marketing (W. Wildner 2012). This is defined as when satisfied consumers tell others the positive experience they had with a company, a product or a service. Thus, it is not only an unpaid form of promotion but also a very powerful one, because people usually trust their friends, relatives and colleagues when they share the positive consumer experience with them (Entrepreneur.com 2011).

According to a statement of Mr Zotter, the firm plans to include a QR-code (Quick Response code) on the products' packaging. Consumers that have a smartphone will get access to a lot of product specific information when they scan the code (W. Wildner 2012).

5. Local Community

5.1. Social Investment

The firm's approach to social investment is that it selects one project that is co-financed. The duration of Zotter's financial support always lasts for one year. This year it is the project "Yummy! Meals for schools" of the organization "Helfen ohne Grenzen". Through this project, food is donated to schools so that children do not have to work besides going to school. This is often the case in poor regions where children themselves have to prevent being badly nourished. Zotter's support works in the way that with each "Schokolade Macht Satt!" chocolate bar, one school lunch for one child is financed. On the 12th of November 2012, 58,129 school meals were financed by Zotter (Zotter 2012).

5.2. Corporate Volunteering

Corporate volunteering is not on the company's agenda. It is claimed that supporting aid projects by sending Zotter employees is not within the range of duties of the company. But, for each one year a project is selected that is co-financed (find further information in this regard at "5.1. Social Investment") (Luef 2012).

5.3. Knowledge Sharing with the Local Community

Knowledge is shared in various ways by the firm. Firstly, Mr Zotter has written two books that illustrate many entrepreneurial insights. Readers are informed about the company's way of doing business with regard to for example fair trade. Secondly, Mr Zotter shared his business knowledge with students when he was interviewed for a Harvard Business School case study. Therefore, he was interviewed due to his novel business approach (W. Wildner 2012).

5.4. Workplace Creation

Against the prevailing industry trend, Zotter in-sourced all production steps of chocolate confectionary manufacturing. This was described in the introduction under the catch-phrase "From Bean to Bar" (W. Wildner 2012). Moreover, through the technique called "handgeschöpft" (also described in the introduction) it is employees and not machines that have to spread each layer after another to ensure best quality. Hence, work places are not outsourced abroad but are created in the region the company operates in. This not only leads to more jobs in the region, but also to a better control of the workplace conditions because they are in-house.

Moreover, it is not only jobs that are created in the region of Bergl, Styria. One of two latest projects is the expansion to China. Mr Zotter explains that there are currently two major possibilities for his company to grow. The first idea is reaching for more consumers by lowering the price for one chocolate bar. Currently around 300 different kinds of chocolate bars are in the firm's portfolio. If this number were reduced, it would allow reducing production costs by utilizing economics of scale and as a result of this a broader consumer segment would be addressed. But at the same time this approach would limit the company's differentiation strategy. Since this idea of doing business is clearly against Mr Zotter's point of view, it is not pursued. The second approach is that the firm remains faithful to its values, but expands to further geographic regions. It is already 55% of turnover that is generated

through exports. Nonetheless, Asia is still a market that is rather untouched by Zotter. Since economic growth over the last decades accounts for many rich Chinese (especially on the east coast), Mr Zotter sees a high potential for penetrating this market. Therefore, a Schokoladen-Theatre in Shanghai, which is similar to the one in Bergl (consumers are invited to walk through the chocolate factory), will be established. It is an investment of around €3 million to €5 million. Around 40 workplaces will be created due to this expansion. Moreover it should be highlighted that Mr Zotter also states that his company is the first one to bring organic and Fair-Traded products to China. While organic farming already gains significance in China, Fair-Trade is so far not a topic of relevance. This information is retrieved from an Austrian online newspaper that was published on the 20th of September 2012 at 05:30 am. At 12:25 pm already 229 comments to this article were posted that were generally pro Zotter's growth plans. In addition, most of the posts proved knowledge of Zotter's Fair-Trade approach (Schamall 2012).

5.5. Regionalism

The chocolate factory is situated in Bergl, Styria, which is also the region where Mr Zotter grew up in. Most of the factory's employees are recruited from Bergl and nearby villages. Thus, the company Zotter supports the state Styria with tax money and workplaces. Moreover, input material such as milk is used whenever possible from regional suppliers (W. Wildner 2012). In addition, since around 250,000 visitors came to the chocolate factory last year, it is also nearby restaurants and shops benefiting from the chocolate factory (Luef 2012).

6. Competitors

6.1. Solidarity with Business Partners

According to the company's representative, Zotter does not cooperate in any way with its competitors (Luef 2012).

7. Government

7.1. Responsibility Lobbying

No directly relevant information was found with regard to "Responsibility Lobbying". Nevertheless, the company Zotter states that companies should not transfer their responsibility to legislation and politics. Even though the general work environment has to

be given by them, it is an entrepreneur himself / herself to take on responsibility for its company's actions. Nevertheless, it is claimed that it would be supportive for a company such as Zotter if governments support truly sustainable companies that have a fair and organic approach with for example a tax reduction (Luef 2012).

5.2. EZA Fairer Handel GmbH

EZA Fairer Handel GmbH (in the further course of the thesis referred to as EZA) was already established in 1975 and is headquartered in Köstendorf, Salzburg. EZA is an abbreviation for “EntwicklungsZusammenArbeit”, which means development co-operation in English. EZA is a Limited Liability Company and its partners are the organization “Aktion 3.Welt”, the Catholic men’s movement Austria, the state Upper Austria and the city Innsbruck (EZA 2012). Thus, besides the organization “Aktion 3.Welt”, EZA is owned by institutions that have either a religious or governmental background and are not actively part of daily business (A. Reitinger 2012).

EZA was Austria’s first company that sold Fair-Trade certified products and today it has 37 years of experience in this field. The firm offers a wide range of products such as groceries (tea, coffee, chocolate, honey, etc.), clothes, cosmetics and crafts (EZA 2012). Coffee, which generated 34% of the company’s total turnover in the fiscal year 2010/2011, is EZA’s most important product category (EZA Fairer Handel GmbH 2011). Due to that, it is focused on the firm’s activities within the coffee industry.

From EZA’s early existence on, it imported products through partner organizations that are locally in contact with farmers. Long lasting relationships to these partners allowed a continuous development of the farming conditions. Today, EZA has a network of 160 partner organizations in 40 different countries in Africa, Asia, Latin America and the Middle East. With regard to the coffee segment of EZA, it is 20 partner organizations that the company has a partnership with (EZA 2012). Furthermore, it is anticipated that when comparing EZA’s business approach to Sonnentor’s and Zotter’s, there is one major difference. While Sonnentor and Zotter purchase raw ingredients to refine them in their factory, EZA only imports, markets and distributes products but does not manufacture goods themselves. That is why the firm either imports already manufactured products from their partner organizations or arranges the manufacturing process at firms in for example Italy and the Netherlands (A. Reitinger 2012).

It is above all two characteristics that make EZA’s business approach unique. First, the firm’s focus is clearly on the fair trade approach. EZA defines fair trade as humane work conditions, fair payments, transparency in terms of manufacturing and trade conditions, support of market access for peasants and an ecological production method. Thus, all grocery products

of EZA wear a Fair Trade certificate. Even though fairness is the value that EZA defines as the most important to its business, it should be mentioned that 77% of its groceries are organically farmed (EZA 2012).

Secondly, the firm’s major distribution channel is “Faire Weltläden”, which means “Fair World Shops” in English. In the fiscal year 2010/2011, a total of 44.8% turnover was generated in 91 independent “Fair World Shops” (35.9%) and in four EZA owned “Fair World Shops” (8.9%). These shops are defined as specialized stores for fair traded groceries and goods. Even though food retailer stores are not EZA’s major distribution channel (27.1% of total turnover), selected products are still available there. Especially coffee is sold in supermarkets, which generated 61% of EZA’s turnover in supermarkets in the fiscal year 2010/2011 (EZA Fairer Handel GmbH 2011).

Additionally, the development of EZA’s turnover and profit/loss figures of the last five years that are available should be highlighted. That is why they are illustrated in the table below.

Fiscal Year	Turnover Development	Profit / Loss	Source
2006/2007	+ 7.5%	227,934 €	(EZA Fairer Handel GmbH 2007)
2007/2008	+ 9.35%	65,021 €	(EZA Fairer Handel GmbH 2008)
2008/2009	+ 7.8%	31,799 €	(EZA Fairer Handel GmbH 2009)
2009/2010	+ 2.1%	14,449 €	(EZA Fairer Handel GmbH 2010)
2010/2011	+ 6.7%	-510.000 €	(EZA Fairer Handel GmbH 2011)

Table 3: Turnover and Profit/Loss Development of EZA from 2006/2007 until 2010/2011

As it can be seen in Table 3, between the fiscal year of 2006/2007 and 2008/2009 turnover increased notably while at the same time a considerable profit was generated by EZA. But in the next two fiscal years the firm did not perform financially as good as it did the previous years. The reasons why this might have occurred is evaluated in the Analysis chapter.

In the following passages the most relevant information of the company EZA with regard to this thesis is presented. This information was obtained mainly by interviewing the firm representative Andrea Reitingner, but also by analysing EZA’s most recent Annual Reports. Additionally, information was retrieved from EZA’s website.

1. Company Owner & Investors

1.1. Strategic CSR

EZA envisions a world in which fairness and sustainability are at the core of trade partnerships. This will grant every participant of the partnership a dignified standard of living and support people to unfold their potential (A. Reitingner 2012). Thus, EZA is based on the cornerstones dialogue, transparency and respect (EZA Fairer Handel GmbH 2011). Moreover, to increase their impact on dissolving unfair but increase fair trade partnerships, the firm claims that a change in the consumer behaviour has to take place (A. Reitingner 2012).

EZA also explains that human dignity and protecting the environment is too important to simply consider it for a few products, thus its entire product portfolio is based on fair trade (EZA 2012).

1.2. Culture of Responsibility

The way EZA's decision makers operated in the fiscal year of 2010/2011 indicates that they live a culture of responsibility. Even though the total turnover at the end of the fiscal year 2010/2011 increased by 6.6%, the company recorded a loss of €510,000 due to the fact that the cost of goods sold (COGS) increased by 15.1%. The reason for the tremendous COGS increase is that macroeconomic factors were to the firm's disadvantage. Especially the temporarily significant high price for coffee beans was a divisive factor. Nevertheless, the firm still offered the same fair price for raw ingredients to all farmers and neither did transfer the higher price to their consumers. Thus, they claim that they might have made a loss themselves in that fiscal year, but did not give up their principles of fair trade and did not risk upsetting their consumers (EZA Fairer Handel GmbH 2011).

In addition, it is EZA's policy that profits are reinvested in the company. In 2010/2011, this allowed financing initiatives like educational trips of EZA employees, inviting representatives of aid organizations to Vienna and expanding the product portfolio with supporting the fair fashion brand Anukoo (EZA Fairer Handel GmbH 2011).

1.3. Stakeholder Dialogue

EZA is a medium size company that employs a total of only 72 employees (including employees in the four "Fair World Shops") but at the same time has a network of 160 partner organizations in 40 different countries. That is why it can be imagined that it is difficult for the firm to ensure a good stakeholder dialogue. Nevertheless, only within the

last year, EZA's employees visited 36 partner organizations in the countries of Mexico, Guatemala, Peru, Thailand, Vietnam, Bolivia and India. Such trips take place every year and shall ensure that EZA informs itself about the work conditions and manufacturing processes at the farms but also to support the partner organizations with their knowledge to improve products (EZA Fairer Handel GmbH 2011).

Moreover, it is also partner organizations visiting EZA in Austria. Thus, a total of eleven representatives of partner organizations from nine different countries came to Austria within the last year (EZA Fairer Handel GmbH 2011).

1.4. Awareness of Cultural Differences

As above described, many visits of foreign people at EZA's headquarter and through EZA employees abroad take place. This makes the firm's employees very experienced in terms of dealing with people from different cultures.

2. Employees & Managers

2.1. Employment of Minorities

At EZA, employees from nine different nations have equal conditions of employment. Moreover, it is mentioned that two employees with a disability are employed at the firm (A. Reitinger 2012).

2.2. Well-Established Owner to Employee Relationship

It was stated by the interviewee, that flat hierarchies are established at EZA. The four hierarchy levels are employee, team leader, divisional manager and executive (A. Reitinger 2012).

2.3. Employee Development Programs

The financial funds for skill development that the firm provides for each employee are 1.2% of the employee's gross wage. Regularly there are company internal development programs taking place. These are among others product trainings, language courses and informational sessions about partner organizations (A. Reitinger 2012).

Moreover, besides the many partner organization visits taking place described at "1.3. Stakeholder Dialogue", EZA also organizes an educational trip for its employees once a year. In 2011, this trip was to Peru where four handicraft partner organizations were visited. In total 20 employees from the "Fair World Shops" had the opportunity to get to know the

country Peru and a first-hand insight in Peruvian artisan craftwork. These trips also act to improve the employees' understanding for the necessity of fair trade in underdeveloped regions (EZA Fairer Handel GmbH 2011).

2.4. Just Distribution of Labour

EZA not only employs through full time contracts but also offers part time employment models. Thus, it is a major concern that employees have an even work-life-balance to prevent stress (EZA Fairer Handel GmbH 2011). Moreover, it is suggested that the Austrian government increases minimum wages, improves the image of unpaid social activities and finances the expansion of childcare (A. Reitingger 2012).

2.5. Just and Adequate Salary

As already described at "2.1. Employment of Minorities", no matter of nationality, employees have equal conditions at work. This includes employee's salary. In addition, not only employees have access to a fair and adequate salary, but also farmers that supply EZA with products. This is ensured through the Fair Trade certificate (A. Reitingger 2012).

3. Suppliers

3.1. Inspecting Production Facilities of Suppliers

As described at "1.3. Stakeholder Dialogue" many trips by EZA take place to control working conditions at the farms.

3.2. Knowledge Sharing with Suppliers

Representatives of partner organizations that visit EZA's headquarter, have the chance to meet and discuss with EZA. This allows them to better understand the plenty possibilities of fair trade that they can utilize. Last year it was eleven visitors at EZA's headquarter from nine different countries (EZA Fairer Handel GmbH 2011). Since some of EZA's products are directly manufactured at the partner organizations, EZA supports them so that products meet the considerable high European requirements. Moreover, products are also adjusted to meet European consumers' demand with the support of EZA's employees (A. Reitingger 2012).

3.3. Long-term Supplier Relationship

EZA strives for long lasting relationships with its many partner organizations. The firm states

that long-term relationships to suppliers are the only way possible to establish trade on a fair basis, which ensures the advancement of suppliers. This is achieved through continuous support and inspection from EZA (EZA Fairer Handel GmbH 2011).

4. Consumers

4.1. Offering Goods to Underprivileged Segments

This is not the firm's first priority. Nonetheless, for example chocolate is a good that is produced for people with lactose intolerance (A. Reitingner 2012).

4.2. Supplying Healthy Products

As it was already mentioned, 77% of EZA's groceries are organically farmed. Several studies prove that organic farming is not only environmentally friendlier but also healthier for consumers compared to conventional farmed groceries (D. Carolyn 2012). Nevertheless, that does not guarantee that drinking coffee is necessarily healthy. Latest research claims that if more than six cups of coffee (à 100 mg of caffeine) are consumed a day it is considered unhealthy. But also when too much sugar is added or the coffee is consumed with a lot of whipped cream that is high in calories, drinking coffee is unhealthy. Anyway, according to the same research, when coffee is consumed in moderation, it is not regarded as unhealthy (Dam 2012). Thus, the consumption of coffee is similar to the consumption of chocolate, as it is described in this chapter for the company Zotter (see page 60). When organically farmed, no additives added and consumed in moderation, the product is not unhealthy. But no information is found about EZA informing about consumption in moderation for its products or sustainable consumption in general.

4.3. Consumer Education

One declared goal of EZA is to educate its consumers so that they get a better understanding of the complex global economic interrelationships. Additionally, EZA points out that people themselves can support by making responsible purchase decisions. Besides transparency in terms of product and price information, as it is described in "4.4. Ethical Marketing", the declared goal of EZA also means that it provides information on the farmers' living conditions. This includes describing social, economic, political and cultural circumstances the farmers live in (A. Reitingner 2010).

The newsletter natürlichFair, which means "naturally Fair" in English, is the company's major

tool to inform its consumers. It is published twice a year and informs about all the topics mentioned above (EZA 2012).

4.4. Ethical Marketing

Each product that is distributed by EZA has a code on its package. When the code is entered in the search module on EZA's website, all partner organizations that manufactured the product are listed. It is the name of the organization, the country that it is located in and a two page pdf file that provides further information. This information is a country description, economic difficulties that farmers in the respective region often have to face and benefits for the organization based on the fair trade cooperation with EZA (EZA 2012).

In addition, EZA also invites people to visit the company. If it is a bigger group of people and they pre-registered via email or phone in advance, an employee of EZA accompanies the group. A presentation is shown that explains the company's philosophy and videos are presented to get an understanding of the farmers' living and working conditions that EZA works together with (EZA Fairer Handel GmbH n.d.).

5. Local Community

5.1. Social Investment

Due to the fact that EZA uses the Fair-Trade certificate for its products, the company has committed itself to invest in the further development of its suppliers. Thus, further education especially in terms of organic farming and quality assurance are financed by EZA through the Fair-Trade premium. Additionally, the firm invests in social projects on a continuous basis. Thus, in 2011, a well drilling project was financed for the partner organization Yuri Enga in Ghana. Through this project, water supply in Northern Ghana was established. In addition, the organization Guaya'b from Guatemala was supplied with a coffee bean drying machine (EZA Fairer Handel GmbH 2011).

5.2. Corporate Volunteering

It is explained, that EZA's approach to improve global equality is fair trade and not the support through corporate volunteering as a CSR initiative, like it is practiced by many bigger firms (A. Reitingner 2012)

5.3. Knowledge Sharing with the Local Community

Once a year the event "Weltladenkonferenz", which means "World Shop Conference" in

English, takes place in Austria. It is the Fair-Trade certifying organization, “Fair World Shops” and EZA that organize this event together. EZA contributes to this event by sharing its knowledge gained at the annual educational trip (further information at “2.3. Employee Development Programs”) and inviting a representative from one of its partner organizations. The representative is asked to share the status quo in terms of economic conditions in its region. In 2009, 120 participants took part at the “World Shop Conference” (EZA Fairer Handel GmbH 2010).

Furthermore, on EZA’s website, a list of around 50 short films is uploaded. These videos shall either educate about EZA’s fair trade approach, inform about the conditions in several industries (e.g. chocolate and coffee) or present Latin America’s countries and cultures. Some of the videos are made by EZA itself. Information on where the short films can be bought, rented or viewed are not given (EZA 2007). Nevertheless, one of the short movies that was produced by EZA itself, “Kaffee & Tortillas. Die Welt des Kaffee Organico.”, can be found on youtube.com. When it was watched for research purposes it had 19 views (Youtube 2011).

5.4. Workplace Creation

EZA supports underprivileged farmers in Africa, Asia and Latin America by ensuring fair trade conditions. Thus, it creates workplaces in underdeveloped regions (EZA 2012). Nevertheless, the ability to create workplaces in Austria is limited due to the fact that products are not manufactured by EZA but only imported, marketed and distributed.

5.5. Regionalism

To strengthen regions in Latin America, Asia and Africa, EZA not only establishes long-term relationships to their locally rooted partner organizations, but also supports financing them. Thus, such partner organizations are provided with access to alternative financing sources through EZA (A. Reitingger 2012).

6. Competitors

6.1. Solidarity with Business Partners

EZA is one of the founding members of the World Fair Trade Organizations (WFTO). Thus, the ten criteria of the WFTO are practiced by EZA but also by other like-minded companies. Meetings of WFTO supporting companies take place regularly to further develop the

organization's initiatives. Due to the fact that EZA is a supporting firm of the WFTO, it practices a co-operation with other like-minded companies (A. Reitingger 2012).

7. Government

7.1. Responsibility Lobbying

EZA does not engage in responsibility lobbying but claims that the development of a positive incentive systems for companies with a 100% approach to fair trade is desirable (A. Reitingger 2012).

5.3. SONNENTOR Kräuterhandelsgesellschaft mbH

The company SONNENTOR Kräuterhandelsgesellschaft mbH (in the further course of the thesis referred to as Sonnentor) was founded in 1988 and its headquarter is located in Sprögnitz, Waldviertel, Lower Austria (Sonnentor 2012). Sonnentor is presented through subsidiaries in Romania, Albania and the Czech Republic, has among others cultivation projects in Nicaragua and Tanzania and retail stores offer their products in for example Bahrain, Japan and Norway (Seebacher 2012). The company's most important product categories are tea (42% of total turnover) and herbs (36%). The other 22% of total turnover are generated by a wide range of product types such as coffee and chocolate (SONNENTOR Kräuterhandelsgesellschaft mbH 2012). Since tea is the most important product category of Sonnentor, it is the firm's activities within the tea industry that is focused on.

The Sonnentor founder Johannes Gutmann was only 23 years old when he came up with the idea of selling herbs from local farmers under one brand. This brand is the smiling sun of Sonnentor. Today, Mr Gutmann is known by many people in Austria. This is not only due to his company's success but also because of his extra-ordinary appearance. He mostly wears a 80 year old "Lederhosen" (traditional Austrian pants made of leather), suspenders, red glasses and a Sonnentor T-shirt. That is why Mr Gutmann can imagine that people easily remember him (Gutmann 2011). Besides describing the founder himself as unusual the overall approach to business of Sonnentor is also characterized by that word.

First, due to the fact that Mr Gutmann pays himself only a very small salary a lot of the generated profit stays within the company. Over the last five years it was each year on average 10% of total revenue that was reinvested into the company. In the last two years for example, around €6.5 mil were invested in new buildings, manufacturing machines and interior (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

Secondly, even though the company is often approached by supermarket retailers to sell products in their stores, Sonnentor products are only available in its franchise stores and specialized organic stores. Offering its products in stores at which also discount products are sold is against Sonnentor's philosophy. That is why Sonnentor consumers have to make the effort and visit either Sonnentor stores or specialized organic stores (Seebacher 2012).

Thirdly, Sonnentor does not use the Fair-Trade certificate even though it has a similar approach to the one that companies have to follow that use the Fair-Trade logo. Sonnentor's

purchasing approach is as follows: when raw ingredients are purchased from abroad, Sonnentor also works with partner organizations that are in contact with local farmers. These organizations are carefully selected by Sonnentor. For example in Nicaragua it is the organization Biosfair. But it is not only the organization that Sonnentor takes a close look at but also at the farmers themselves. In Nicaragua it is the farmer Don Emilio that cultivates three hectares of fertile land. The profits generated by Biosfair are invested in further education of employees and farmers and the infrastructure of the farms. Thus, this approach is very similar to the one of for example EZA that uses the Fair-Trade certification.

Nonetheless, Sonnentor does not acquire the Fair-Trade logo. The firm argues that when it began to purchase raw ingredients from farmers abroad, it was only a few countries that were allowed to issue the Fair-Trade certificate. For example, organizations in Brazil could not acquire the Fair-Trade certificate until quite recently. Since Sonnentor receives products from so many different countries of the world, it would be difficult to describe why some products use the Fair-Trade certificate and others not. Moreover, it is claimed that Sonnentor itself stands for fair trade and does not need a logo to improve its image in this regard (Seebacher 2012).

Fourthly, Sonnentor is one of the few companies that support the “Common Welfare Economics” by Christian Felber (SONNENTOR Kräuterhandelsgesellschaft mbH 2012). This novel idea for an economic system asks companies’ decision makers to rethink the current approach of profit maximization. If Felber’s system were established it is not only a few (for example executive managers and large shareholders) but the many (the local communities a company operates in) that benefit from a company’s efforts (Felber 2012). Since Sonnentor is a supporting firm of this idea, it is analysed once a year according to the measurement criteria of the “Common Welfare Balance Sheet” (SONNENTOR Kräuterhandelsgesellschaft mbH 2012). It should be mentioned that the “Common Welfare Balance Sheet” by Christian Felber was used in this thesis as a source for positive initiatives a company can pursue to improve its impact on society (find further information at “2.1.3.2. Common Welfare Balance Sheet”).

In the following passages the most relevant information of the company Sonnentor with regard to this thesis is presented. This information was obtained mainly by interviewing the firm representative Manuela Seebacher, but also by analysing Sonnentor’s most recent

“Common Welfare Balance Sheet”. Additionally, information was retrieved from Sonnentor’s website.

1. Company Owner & Investors

1.1. Strategic CSR

Even though the company does not have a written-out vision, the interviewee explains that Sonnentor practices the values nature, family and responsibility on a daily basis. That is why Sonnentor claims that Economy, Ecology and Social Cooperation are no contradiction but work together (SONNENTOR Kräuterhandelsgesellschaft mbH 2012). Therefore, the company’s strategy is built upon three cornerstones. These are “A Holistic Organic Approach”, “Treatment of all Stakeholders with Appreciation and Respect” and “Live and Let Live” (Seebacher 2012).

1.2. Culture of Responsibility

Johannes Gutmann owns 99% of the company. The reason why this is the case, is due to when Sonnentor was founded 24 years ago, it was not possible to establish a Limited Liability Company with only one owner. Thus, Johann Wostri, Sonnentor’s tax accountant owns 1%. This leads to the fact that Mr Gutmann, as the founder and the majority owner of the company, has the possibility to positively influence the company’s activities according to his own values (Seebacher 2012).

Mr Gutmann is against the current capitalist system of profit maximization and extraordinary high salaries for executive managers. Thus, he pays himself only €2.500 per month, even though, he as the company owner, has the power take much more financial funds out of the company’s bank account for himself. He chooses to do so because he claims that he does not need more money and also because he is aware of the role model effect (Gutmann 2011). In addition, one of Mr Gutmann’s statements is: „Companies are not responsible towards shareholders but towards society“. He states that focusing only on profit maximization is wrong because that way only the few and not the many benefit. It is not only shareholders but employees, customers, suppliers and also the nature that should grow sustainably. Thus, companies have to think of stakeholders beyond their immediate borders and act accordingly to ensure co-operation and not competition at any cost (Sonnentor 2012).

1.3. Stakeholder Dialogue

People have the possibility to phone Sonnentor to get information in whatever regard. Moreover, once a year a cultivation conference takes place at Sonnentor's headquarter. At this event, farmers have the chance to engage with the company to ensure best conditions for a successful harvest season. Nevertheless, a stakeholder council at which selected representatives from each stakeholder group come together to discuss the company's impact does not take place (Seebacher 2012).

1.4. Awareness of Cultural Differences

In Sonnentor's network of business partners many people of different cultures work together (see page 74 for more details when the firm Sonnentor was introduced). Therefore, when a meeting takes place, Sonnentor's approach is to adjust to the other party's culture. Additionally, it tries to pursue an approach of letting the region benefit as much as possible through its business engagement (Seebacher 2012).

2. Employees & Managers

2.1. Employment of Minorities

Currently there are only Austrians employed at Sonnentor. This is due to the fact that almost no foreigners live in the region Sonnentor's headquarter is located in, and at the same time it is the firm's policy to employ people from within the region. Nevertheless, it is highlighted that gender equality is an important factor for the firm. Thus, when it comes to executive managers, the number of women and men is balanced (Seebacher 2012). Additionally should be mentioned that long-term unemployed are welcome at Sonnentor. From this minority group one to two people are employed continuously in order to support them finding their way back into society (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

2.2. Well-Established Owner to Employee Relationship

Sonnentor theoretically applies a four level hierarchy within a line-and-staff organization. The hierarchies are regular employee, team leader, department leader and executive. Nevertheless, this is rather a formal fact and not strictly lived in practice. Since this is the case, the relationship between employees, managers and the owner are well established (Seebacher 2012). Several other factors also improve these relationships. Such factors are a working climate of respectful treatment, the chance of further education for every employee

no matter on what hierarchy level and no pressure on employees to work a great number of extra hours. These factors are described in the further course of the data presentation of this company.

2.3. Employee Development Programs

It is claimed that in order to further develop the company, it is important to have well educated employees. Thus, training courses in various fields (time management, personal development, health promotion, language skills, etc.) are offered for free by the company. Around 20% of these trainings are in the area of ecology and social behaviour. Even though not a must, employees are asked to take at least 2 courses per year. Around two third of the employees utilized this offer. This led to 1,320 hours of training courses taken by employees in total over one year. In addition, courses especially designed for managerial employees are offered to team and department leaders (Seebacher 2012).

2.4. Just Distribution of Labour

The company representative claims that just distribution of labour does not only have to do with the amount of hours worked, but also with the social environment employees work in. Nevertheless, it is concluded that this environment can be badly influenced if employees have to work to many extra hours. Therefore, several different working schemes such as home-office and part-time work exist at Sonnentor that act to support employees in the best way possible. Additionally, it is rarely taking place that employees have to work overtime (Seebacher 2012).

2.5. Just and Adequate Salary

As was mentioned above, Mr Gutmann as founder and owner of Sonnentor, only pays himself 2,500€ per month. This supports the firm's approach of reinvesting financial funds and establishes an atmosphere of fairness through paying adequate salaries (Gutmann 2011).

3. Suppliers

3.1. Inspecting Production Facilities of Suppliers

All of Sonnentor's suppliers commit themselves to fulfil organic farming requirements. The compliance with these standards and general working conditions are checked by Sonnentor

representatives themselves on a regular basis. But also audits from external companies that certify farmers according to organic farming take place (Seebacher 2012).

3.2. Knowledge Sharing with Suppliers

Sonnentor works together with around 150 farmers. These farmers commit themselves to organizational and qualitative requirements set up by Sonnentor. With regard to qualitative requirements, organic farming is one important determinant. Thus, Sonnentor shares its knowledge with farmers in this regard, to improve the quality of its products. It is controlled once a year if farmers comply with Sonnentor's requirements (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

3.3. Long-term Supplier Relationship

In order to ensure best possible conditions for the above mentioned farmers, long-term relationships are guaranteed by Sonnentor. It is claimed that this ensures improved quality over the long-run and at the same time acts against the migration to cities that takes place heavily in the region Sonnentor's headquarter is located (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

4. Consumers

4.1. Offering Goods to Underprivileged Segments

Offering goods to consumer that have intolerances is irrelevant in the tea-sector. Ingredients for organic produced tea are usually digested well by anyone. When it comes to other products of Sonnentor's portfolio, a few vegan products are offered. But this is not the focus of the company. Additionally, concrete initiatives for people with low budgets do not exist either. Nevertheless, bulk packs of one kilogram of cheaper tea types are offered by Sonnentor. The cheapest teas of this type cost €29.9 per kilogram. When it is considered that one regular teabag consist of around 2 gram of herbs, this gives a price of 6 Eurocents for one teabag when a bulk pack is purchased. This clearly represents a possibility for people with low incomes to also acquire Sonnentor teas (Seebacher 2012).

4.2. Supplying Healthy Products

Tea produced according to organic standards, in high quality and without any additives counts as a healthy product.

4.3. Consumer Education

It is Sonnentor's declared mission to inspire as many people as possible to follow the company on its truly sustainable and responsible way, the Sonnentor approach. That is why Mr Gutmann views all his employees not only as a workforce within the company but also as ambassadors that have the power to extravert the Sonnentor approach. Thus, they are the most important component of achieving the mission of inspiring many people (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

Besides that, it is many initiatives that Sonnentor pursues to educate its customers. Some of them are mentioned. Firstly, the sub-website of Sonnentor "wächst-wieder.at" has several hints about how to acquire a fully sustainable lifestyle. Categories are Shopping, Nutrition, Waste Prevention & Disposal, Energy, Mobility, Free-time & Nature, Workplace and Handling Groceries Sustainable. Consumers are also welcome to share their own hints to improve the content of the platform on a continuous basis. Secondly, a co-operation with "utopia.de" is established. This platform acts to promote a sustainable consumer behaviour and asks people to make conscious purchasing decisions. It claims that consumers should have ecology and fairness in their minds when shopping. That is why companies with a truly sustainable approach are promoted on the platform. One of them is Sonnentor. Thirdly, in all media that Sonnentor is present, it is tried to educate consumers. For example all packages of Sonnentor inform about how to recycle products best (Seebacher 2012).

4.4. Ethical Marketing

Sonnentor uses around 5% of its total revenue for marketing initiatives such as product development, attending trade fairs, advertisements in magazines that focus on organically farmed goods, product tastings and sponsoring (SONNENTOR Kräuterhandelsgesellschaft mbH 2012). It is only sponsor to companies with a sustainable approach and it is products but not financial funds that are sponsored. Moreover, consumers are informed about the country of origin of input ingredients on packages of unmixed products. But the information is not given on packages of mixed products. It is claimed that this is due to the lack of space on packages when 15 different types of raw materials with different origins are mixed together. But if consumers would want to know this information, they could phone Sonnentor and would be informed about it. Furthermore, there is no possibility for

consumers to inform themselves of which cost items the total price consists of (Seebacher 2012).

5. Local Community

5.1. Social Investment

It is already described in the introduction that even though Sonnentor does not use the Fair-Trade logo, it supports partner organizations such as Biosfair in Nicaragua through social investments.

5.2. Corporate Volunteering

Corporate volunteering is not an activity that is pursued heavily by Sonnentor. Nevertheless, for example in 2011 the franchise store in Salzburg donated 1,000€ for the non-profit organization Caritas (Sonnentor 2011).

Still, supporting people in difficult economic conditions is on the agenda of the company, but is executed through a fair and respectful treatment of suppliers. Sonnentor claims that the reality is often different because many of the world's raw material suppliers work under bad conditions due to immense price pressure from purchasing companies. Sonnentor's approach is that Mr Gutmann himself visits organizations that are in contact with local farmers. Then, it is decided locally if this particular organization is worked with. The support of farmers through knowledge sharing and investments in their infrastructure, are the type of projects that are launched at Sonnentor. When financial funds are given by the firm it is always asked for a return service, which is supplying of high quality raw ingredients (Seebacher 2012).

5.3. Knowledge Sharing with the Local Community

Besides sharing knowledge with suppliers, it is also the local community that benefits from Sonnentor's generous knowledge sharing approach. Mr Gutmann gave 48 speeches within the last year to share Sonnentor's story. In addition, he is an external lecturer since 2011 at the study path "Organic Business & Marketing" at the University of Applied Sciences Wieselburg. That is why many people are educated in terms of entrepreneurship, sustainability and responsibility at first-hand by Sonnentor (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

5.4. Workplace Creation

Sonnentor currently employs 170 people at its headquarters that are all from within the region of Lower Austria. Usually manufacturing companies apply technologies to decrease the number of employees. This is not the case at Sonnentor, where most production steps are done by manual labour (Seebacher 2012).

Sonnentor not only creates workplaces at its headquarter, but also at its subsidiaries and suppliers. Two examples of this activity are given. First, within the economically weak region of Čejkovice (Czech Republic), 75 employees work for Sonnentor's subsidiary. Sonnentor claims that through a fair and long-term relationship with this business partner, the region of Čejkovice is supported. Secondly, in Albania herb cultivation projects are established since 2007. Today more than 100 work places were created by Sonnentor in this region. In total around 500 people benefit from an increased income of the 100 herb-farmers. Similar region development projects take place in Tanzania, parts of Asia, Croatia, Spain, Mexico and Kosovo (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

5.5. Regionalism

Another mission of Sonnentor is to take on responsibility when it comes to the development of the "Waldviertel" (the immediate region Sonnentor's headquarter is located in). Thus, whenever a new building is established by Sonnentor, only regional construction firms and raw materials are used. It is argued that due to this initiative the region as a whole is strengthened. And in general, 46% of all expenditures (including raw ingredients for tea production, construction contracts, services, etc.) of Sonnentor benefit the region. Additionally, franchisees are allowed to supply their store with products from other companies than Sonnentor up to 20%. The only criterion for these products is that they are of like-minded companies and preferable from the same region. Like-minded is meant in terms of sustainability and fairness (SONNENTOR Kräuterhandelsgesellschaft mbH 2012).

6. Competitors

6.1. Solidarity with Business Partners

As described above, up to 20% of a Sonnentor's store can be supplied with products of other like-minded companies. That is why among others also Zotter chocolate is found in most Sonnentor stores. The closest competitor in terms of product range and vision is the German company Lebensbaum. Often Sonnentor and Lebensbaum take part at the same trade fair,

but do neither co-operate nor compete at any cost against each other. It is rather a respectful dealing with each other according one of the company's cornerstones "Live and Let Live" (Seebacher 2012).

7. Government

7.1. Responsibility Lobbying

Sonnentor states that within the current economic system that is built on profit maximization, it is not very easy for a company such as Sonnentor to be successful. Thus, the "Common Welfare Economy" is mentioned, which is supported by the company. The cornerstone of the "Common Welfare Economy" is a taxation system that orients itself on how much a company ensures a greater value for society. Thus, sustainable and fair companies would have to pay the least taxes and others that solely focus on profit maximization the most. Even though such a new system would be very supportive for Sonnentor, it proves at the same time that it is possible to thrive as a sustainable and responsible firm in the current economic system (Seebacher 2012).

6. Analysis

In this chapter the companies EZA, Sonnentor and Zotter are analysed according to the two models that were explained in the Model chapter. With the use of Model 1 it is analysed if the three companies have initiated a positive impact on society. Even if this were the case, it does not necessarily mean that they are successful businesses. Therefore, when Model 2 is used, it is figured out if the firms have a systemic model approach to social responsibility. If that were the case, the companies would have a substantial and enduring positive impact on society and at the same time gain a competitive advantage in terms of differentiation. It is claimed that this is what a company with a genuine approach to social responsibility should strive for.

Additionally, it is highlighted that if data is presented in this chapter and no source is given, it can be found in the Data chapter. There, all information with regard to the firms' stakeholders is well structured and is therefore easily found. Should however information be used in this chapter that was not presented in the Data chapter, the source is provided in the reference section.

6.1. Analysis with the Use of Model 1

The three companies are first analysed based on Model 1 that refers to Research Question 1 (see Figure 3 on page 38). To enhance reader-friendliness, this research question and the four levels the model consists of are mentioned one more time.

Research Question 1: "In what ways can companies with a genuine CSR approach initiate a positive impact on society?"

Levels of Model 1: (1) A socially responsible company owner(s) with a high awareness level ensures (2) pursuing a holistic stakeholder view in its company. (3) Due to that fact, the stakeholder groups "Managers / Employees", "Suppliers", "Consumers", "Local Community", "Competitors" and "Government" are considered by the company in parallel. (4) This leads to an initiation of a company's improved impact on society.

(1) A Socially Responsible Company Owner(s) with a High Awareness Level

When analysing the three companies, it is realized that each of them has a genuine approach to social responsibility and fairness. It is not only the companies' visions, missions and values that indicate this but the fact that all products are manufactured under conditions based on fair trade. All products of EZA and Zotter have the Fair Trade logo. Even though this is not

the case at Sonnentor, all products are still manufactured under fair conditions. Thus, when it comes to suppliers the companies EZA, Sonnentor and Zotter demonstrate a socially responsible behaviour.

To better illustrate the above made point, an example is given of a company that does apparently not have a genuine approach to social responsibility. The Austrian company Wiener Zucker has only a few selected products that use the Fair Trade logo. It is assumed that the company's goal is to benefit from the sustainability trend that was described in the Industry chapter. Therefore, consumer segments that are sensitive towards values such as sustainability, fairness and responsibility are targeted by these few products. It is generating profits that this firm focuses on and not pursuing a holistic approach to responsibility. Therefore, since it is only a few products that are traded fairly, it has to be supposed that the company's CSR approach is neither holistic nor genuine (Wiener Zucker 2012).

Additionally, it is not only suppliers that benefit from the analysed companies' activities. It is observed that especially employees and consumers benefit from the companies responsible and sustainable behaviour. This is further elaborated at level (2) and (3).

Moreover, the companies analysed in this thesis are led by owners with a high awareness level. They prove so when for example newspaper or radio interviews take place. For example, Mr Gutmann (owner of Sonnentor) explained that companies are not responsible towards shareholders but towards society. Thus, Mr Gutmann, as the majority owner of the firm's shares (99%), pays himself only €2.500 per month. He pursues this approach in order to show others that company executives have the possibility to act responsibly and not self-servingly. A further example is the fact that EZA is aware of the difficult situation farmers from Africa, Asia and Latin America are in. Thus, it is the company's vision to help those farmers out of poverty by paying them an adequate salary.

(2) Holistic Stakeholder View

In the Data chapter all obtained information about which initiatives each of the firms pursue is presented. Since each respective firm implemented several initiatives to positively influence its impact on all stakeholder groups, the conclusion can be drawn that EZA, Sonnentor and Zotter have a holistic stakeholder view. Selected examples for the firms' initiatives that illustrate this conclusion are found on the next page.

(3) Considering all Stakeholder Groups

Due to the fact that all three companies have a holistic stakeholder view, they have several initiatives implemented in their daily business. These initiatives are found in the Data chapter where it is proven that each company considers all stakeholder groups fairly well. Nevertheless, some general examples are given in the following to illustrate this point: The skills of “Managers / Employees” are further developed, “Suppliers” are treated with respect and not confronted with heavy price pressure, “Consumers” are further educated in several terms so that they can make improved purchasing decisions and the “Local Community” is strengthened by creating good workplaces and by investing in social projects. When it comes to “Competitors” and “Governments” the range of initiatives is theoretically not as broad as it is for the other stakeholder groups. This is illustrated in Table 2 that is found in the Data chapter. For the stakeholder group “Competitors” and “Governments” it is only one initiative each that was worked out in the Theory chapter. Nevertheless, individual initiatives also prove that the analysed companies try to have a positive impact on these stakeholder groups. Sonnentor for example implemented an initiative with regard to “Competitors”. It offers its franchisees to sell products of other regional firms and even competitors in Sonnentor shops. Thus, even though Sonnentor also sells chocolate under its own brand, Zotter chocolate is allowed to be sold in Sonnentor shops. Another example, also initiated by Sonnentor, is in terms of the stakeholder group “Governments”. Even though the firm does not try to influence the Austrian government directly, it is a supporter of the “Common Welfare Economics”. Therefore, it is active in political spheres when it supports a new economic order. Through this involvement, the chance arises that the originator of the “Common Welfare Economics” (Christian Felber and his team), together with Sonnentor as a supporter, convince for example other governmental and corporate stakeholders to rethink the current economic system. Thus, Sonnentor has an indirect impact, which is regarded as positive in this illustrated case, on the stakeholder group “Governments”.

(4) Initiation of a Company’s Improved Impact on Society

Due to the fact that the three above described levels are well considered by each of the respective firms, it is claimed that all of them have initiated a positive impact on society. Nevertheless, Model 1 did not analyse how the firms have the several stakeholder initiatives embedded in their overall business operations. Therefore, the firms’ strategy related to

social responsibility has to be investigated, in order to determine if EZA, Sonnentor or Zotter are actually successful in having a positive impact on society and if they are successful in gaining competitiveness in this regard.

6.2. Analysis with the Use of Model 2

In this part, the three companies are analysed based on Model 2 that refers to Research Question 2 (see Figure 4 on page 41).

However, before the firms are analysed two points of information are given. First, information on the market shares, which were discussed in the Industry chapter, are summarized and presented. Secondly, as a result of elaborating on the analysed companies' market shares, the differentiation strategy that the analysed firms apply is explained. This explanation is based on Michael E. Porter's Generic Strategy theory (1980). The reason why it was not presented in the Theory chapter is due to the fact that it is not a theory of major importance in this thesis.

Table 4 illustrates the three industries "Chocolate Confectionary", "Coffee" and "Tea". The three figures that are given for each respective industry are total market volume, the market share of the market leader and the market share of the analysed company.

	Chocolate Confectionary		Coffee		Tea	
	Turnover in mil €	Turnover in %	Turnover in mil €	Turnover in %	Turnover in mil €	Turnover in %
Total Market Volumes	691.00	100.00%	565.00	100.00%	90.80	100.00%
Market Share of Market Leaders	256.36	37.10%	93.79	16.60%	36.32	40.00%
Market Share of Analysed Companies (Zotter, EZA and Sonnentor)	8.09	0.96%	4.64	0.82%	2.59	2.85%

Table 4: Market Shares Comparison of Market Leader to Analysed Company within Respective Industry

As can be seen in Table 4, Sonnentor has a small market share of 2.85% in the tea industry, Zotter only a 0.96% market share in the chocolate confectionary industry and EZA even only a 0.82% market share in the coffee industry. The reason why this is pointed out is to put the strategy of the three analysed firms in perspective. Already in the Model chapter it was mentioned that the firms apply a differentiation strategy. This is explained and gone more into detail in the following.

According to Michael E. Porter's Competitive Strategy (1980), a firm can either apply a cost leadership or differentiation strategy to operate successfully. **Cost leadership** is referred to a firm acquiring market share by targeting price sensitive consumers. To achieve this, a firm

has to ensure to operate at lower costs than their competitors. It is pointed out that it is usually large firms that have the opportunity to utilize a cost leadership strategy. In order to do so, three points have to be considered. First, through manufacturing high volumes, fixed costs are spread over a larger number of units. Secondly, to stretch the number of the high volume output, standardized products with a limited customization are manufactured. Thirdly, a firm's decision makers try to gain control over the supply chain. These general points lead to many different outcomes (Porter 1980). Three highly likely outcomes that can be seen in terms of corporate social responsibility are further explained. First, such companies outsource most to all of their non-core activities to firms that are specialized in doing this activity. This is per se not bad, but leads to the fact that it is more difficult for the respective firm to control these activities. Thus, if a company lacks control, it is more difficult for it to positively influence the way how the outsourced activities are conducted. Secondly, the advertisement activities of a company with a cost leadership strategy usually have the focus on the feature "price". This leads to consumers having for example fairness not on their minds when they make purchase decisions. It is claimed that this has a bad influence because it is not only consumers with tight budgets that are price sensitive, but also other consumers are influenced to be more price sensitive and therefore might also neglect fairness. Thirdly, a cost leadership strategy leads to a company having to utilize their bargaining power. This often means that smaller, less powerful suppliers are squeezed in price, so that their margins become minimal. This can be seen as fair competition but when a company's pressure is so high that suppliers are hardly able to survive, it is unethical.

Differentiation strategy on the other hand is referred to if a firm achieves to distinguish itself from its competitors. This is done by for instance offering goods with features that competitors do not offer, achieving an exceptional high product quality or having established a successful brand management. Therefore, a firm primarily has to have unique resources and processes to achieve a differentiation approach. And as long as these resources and processes are not copied successfully by competitors, a firm can pursue this strategy (Porter 1980).

Even though companies with a cost leadership strategy are more likely to have a negative impact on society, it does not necessarily mean that a firm that applies a differentiation strategy is immediately socially responsible. The company Apple serves as an example to illustrate this statement. Apple, whose successful brand management led to soaring sales,

came recently under criticism for bad work conditions at its production facilities in China (Rawsthorn 2012). Employees are at the factories for six days a week and ten hours a day, to make repetitive tasks at assembly line productions. It is reported that workplaces are crowded and employees are constantly under pressure to work harder. This leads to the fact that employee turnover rates are very high in factories where Apple products are manufactured (D. Barboza 2012). Thus, even though Apple pursues a differentiation strategy, it can clearly not be highlighted as a best practice example in terms of good social responsibility practices.

Anyway, it is claimed that the companies analysed in this thesis are socially responsible and apply a differentiation strategy at the same time. Basically, the companies differentiate themselves by having a novel approach to business. This novelty is generally characterized by the firms adding fairness as factor that they want to compete on. Due to the fact that this approach is novel, it appeals to only very few consumers. This leads to the analysed companies being niche players and also explains why they have market shares between 0.82% and 2.85%. According to Michael E. Porter, as niche players, the three firms have to target a distinct group that has specialized needs (Porter 1980). What distinct group it is that is referred to here, is further explained in this chapter at level (3) "A careful market adoption strategy".

When it comes to the actual analysis, Research Question 2 and the four levels of Model 2 are mentioned one more time to enhance reader-friendliness.

Research Question 2: "What strategy shall companies with a genuine and strategic CSR approach pursue, to increase their positive impact on society and at the same time improve competitiveness?"

Levels of Model 2: (1) It is claimed that firms with a novel business approach also have to be aware of this novelty. In case of a company lacking this awareness, it unsuccessfully tries to fit its approach into the existing system. (2) Therefore, such a company should first implement a suitable business model supporting its novel business approach. (3) Afterwards, it has to develop a careful market-adaption strategy to establish a successful market access. This will lead to the firm gaining market share. (4) Finally, once such a company's products are available on the market, they start improving their local cluster. This is an on-going process that has to be improved and redefined over time. (5) It is argued that two things

take place if a company successfully applies levels (2) to (4). First, such an enterprise has a substantial and enduring positive impact on society. Secondly, this company should also gain competitive advantage within its industry.

(1) A Novel Approach to Business and the Awareness of this Circumstance

When analysing the respective firms, it is concluded that all three of them have a novel approach to business. This was already explained when the firms were analysed with the use of Model 1. Their novel approach is based on a holistic and genuine attempt to have a positive impact on their stakeholder groups and adding the factor fairness they want to compete on.

Nevertheless, it is claimed that while owners and employees at Sonnentor and Zotter are apparently aware of this circumstance, at EZA they are not entirely. Why this is the case is explained later but first it is defined what consequences go along with a company's attempt to compete on the characteristic fairness.

The general conclusion of the System Model Approach theory is that a company with a novel approach to business has to establish a system around its firm to be successful. The major reason that this system is necessary with regard to this thesis is based on the fact that consumers so far do not understand the characteristic fairness properly, when it comes to grocery shopping. Thus, they are therefore not willing to pay a premium for the goods of a company that guarantees this characteristic.

Additionally, since it is overall only a few companies that have the above described approach to business, and even less when it comes to the Austrian Genussmittel Industry, it is the three respective companies themselves that need to initiate to build this system.

It is claimed that EZA does not have the full awareness of applying a novel business approach because of three major reasons. First, it is highlighted one more time that fairness is a characteristic that the majority of consumers do not consider yet, when making their grocery purchasing decisions. This is also difficult for them, because terms like responsibility and sustainability did not expand to supermarkets until quite recently. Thus, consumers not only do not consider fairness but also have difficulties to know how to evaluate it. This is the fact because fairness can or cannot be applied in so many different areas. A company might for example treat its employees fair but at the same time its suppliers not. Since the majority of

consumers do not consider or know how to evaluate fairness when it comes to groceries yet, it is argued that a company that wants to compete on this characteristic, should not only compete on this aspect. Sonnentor and Zotter both demonstrate this very well, by also competing on product quality and innovation. They for example continuously develop new products and advertise that their input ingredients are to 100% organically farmed. Thus, while EZA focuses on the characteristic fairness only, Sonnentor and Zotter market it as an important side benefit of their goods. Nonetheless, quality is the prioritized value that is marketed. EZA on the other hand solely focuses on its Fair Trade approach. Even though an artistic product design implies that EZA's products are of premium quality, it is neither product innovation (e.g. the creation of new and improved tastes on a continuous basis) nor the high quality of product ingredients that the firm seriously advertises. Nonetheless, 77% of EZA's groceries are organically farmed and several visits of EZA employees to partner organizations take place to adjust products to fit the European market and to improve quality (EZA 2012). These facts could theoretically be advertised to highlight high quality of products. Since it is not, it is apparently only the value fairness that EZA focuses on.

Secondly, consumer education, as explained above, is a very important determinant of the Systemic Model Approach theory. This is apparently understood by all analysed companies because they all have initiatives to do so. Nevertheless, it is claimed that at Sonnentor and Zotter this is conducted much more successfully than at EZA. This point is elaborated on when it comes to level (3) "Careful market adoption strategy".

Thirdly, creating win-win situations with stakeholders is part of the Shared Value Creation theory. Yet again, compared to Sonnentor and Zotter, EZA does not seem to have a holistic approach in this regard. This is explained in detail when it comes to level (4) "Enabling local cluster development".

(2) Suitable Business Model Supporting this Novel Approach

A suitable business model that would support the firm's novel approach consists of four interlocking elements which, when taken together, create and deliver value. The elements are the consumer value proposition, the profit formula and the key resources and processes.

First, the **Consumer Value Proposition** (CVP) explains that a company is solving an essential problem through offering a solution. This solution is generated when one or several of the barriers that keep people from solving their problems are targeted. The four most common

barriers are insufficient skills, time, access and wealth (C. C. M. Johnson 2008).

With regard to the three analysed companies, it is argued that they actually solve two of the above mentioned barriers, which are insufficient skills and time. First, all companies have the skill of really understanding the needs of underprivileged farmers (their suppliers). Each firm is aware of the given inequalities in their respective industry and of the difficulties suppliers face in the geographic region they are located in. At the same time the firms also know how they can support their suppliers to improve their given situation. On the one hand, the respective firms pay an adequate salary for input ingredients. On the other hand, they support their suppliers with knowledge to improve cultivation conditions. This leads to the fact that they themselves are able to offer crops of improved quality and therefore have the bargaining power to increase prices. Since ordinary people do not have the chance to do what EZA, Sonnentor and Zotter do, it is a relevant skill these companies offer.

Secondly, if consumers want to make a positive contribution, they do not have to inform themselves about the endless possibilities how to best share their wealth to do so. If they trust one of the three companies' approaches to fairness enough, they simply have to purchase more of this company's goods. Thus, when those consumers do their grocery shopping, they have a positive impact on society at the same time. This leads to the fact that the companies EZA, Sonnentor and Zotter support their consumers to save time. Thirdly, the barrier "insufficient access" is another one that the analysed firms target.

Secondly, the **Profit Formula** of a food producing company that has a holistic and genuine approach to social responsibility is based on one fact. Only through asking consumers to pay a premium relative to products of price competitive companies, the company has the financial ability to have a positive impact on society on a large scale.

To elaborate on that, the premium is the easiest explained by referring to the cost leadership versus differentiation strategy. Food companies that conduct cost leadership, have cost reduction at the core of their business model. Thus, they will always offer cheaper groceries than any food company that pursues a differentiation strategy. But especially a company that differentiates itself by including fairness at the core of its business model simply faces higher costs at many different sources than most other firms. The perhaps most logical example is the fact that such firms pay their suppliers a fair price instead of applying pressure to decrease costs as much as possible.

Therefore, EZA, Sonnentor and Zotter ask their consumers on average to pay higher prices than other firms that operate in their respective industry. Especially Zotter's prices, for example 3.2€ for a 70gram chocolate bar (Zotter, Frühstück bei mir 2012), are significantly above the industry average. Nonetheless, this high price is composed not only because of the firm ensuring fair conditions to all its stakeholders. Especially the fact that Zotter has a very broad product portfolio explains this price. Zotter has 18 different brands of which only the chocolate bars make up 300 different variations (W. Wildner 2012). This leads to the fact that chocolate confectionary produced by Zotter is hardly affordable for consumers that earn an average salary. It is claimed that while EZA's and Sonnentor's prices are also above average, consumers with an average budget can afford these two company's products.

Key resources are a company's assets such as its human capital, facilities, equipment, channels, and brand, which are required to actually deliver the Consumer Value Proposition to the company's targeted consumer (C. C. M. Johnson 2008). Key resources that are of importance in terms of this thesis are resources that allow a firm to produce fair on such a high level as other companies cannot do it. Thus, it is analysed what key resources the firms developed in terms of social responsibility and how they support them to gain a competitive advantage.

The key resource "**Strong and Beneficial Relationship to Suppliers**" is owned by all companies. They have a relationship to suppliers that is characterized by long-term orientation and support through knowledge sharing and financial aid. On the one hand, it is argued that this leads to strengthened partnerships that are based on trust. On the other hand, it is suggested that the firms' approach of supporting suppliers is beneficial because it leads to improved quality of input ingredients.

EZA's most important key resource is based on the fact that it was founded 37 years ago and can be termed in "**Extensive Work Experience in Fair Trade**". This leads to many employees of the firm having an immense work experience in the field of fair trade. Thus, they acquired a lot of knowledge over time on how to best implement the fairness approach in their company. It is claimed, that firms that either want to change their own business approach to have an improved impact on society or others that have such an approach already but were only recently founded, clearly lack this resource.

Sonnentor has two key resources that the other firms do not have, which are "**Possession of**

the Brand Value Trustworthiness” and “Exceptionally Skilled and Satisfied Employees”.

First, Sonnentor does not use the Fair Trade certificate such as the other two firms but still has many regular consumers that have trust in the firm (Seebacher 2012). Thus, it is argued that the brand Sonnentor possesses the brand value trustworthiness. That is a very important characteristic in today’s business world where misconduct of firms lead to consumers distrusting businesses ever more (Sanders 2008). Secondly, the working atmosphere of employees at Sonnentor is characterized by appreciation. The company not only claims that its employees are an important source for its success, but actually proves this. Therefore, Sonnentor offers a wide range of development programs. These are time management, personal development, health promotion, language skills, etc. Around 20% of the trainings that employees participate in are in the area of ecology and social behaviour. This supports the declared mission of Mr Gutmann that employees become ambassadors of spreading a sustainable lifestyle. Additionally, long-term unemployed are supported to find their way back into society by Sonnentor offering them a workplace. Thus, it is argued that Sonnentor’s employees are not only skilled but also happy about their job.

The company Zotter possesses one additional key resource in terms of social responsibility to the above mentioned ones. This is **“Mr Zotter as the Voice for Genuine Social Responsibility”**. When the interview with the representative of the firm was conducted, it was claimed that it is Mr Zotter himself that is the most important key resource the company has. It is his creativity that leads to each product tasting extra-ordinary well and to a high brand value. Nevertheless, it might be claimed that Mr Zotter can be named as a key resource for the company to gain competitive advantage overall, but not to ensure a competitive advantage in terms of social responsibility. Nonetheless, as a person Mr Zotter acts as the voice for genuine social responsibility in Austria. That is why he was interviewed already three times by Austria’s biggest radio station (Zotter, Frühstück bei mir 2012) and often is approached by business people that want to know how a firm can be truly social responsible and successful (see for example (M. Khaire 2011)). Additionally, it is also Mr Zotter that created catch phrases like **“Bean to Bar”** (all manufacturing steps to make chocolate from the cocoa beans to actually make chocolate bars take place in Zotter’s factory) and **“handgeschöpft”** (it is employees and not machines that make the final production step of chocolate bars). Both terms are easily remembered and understood by consumers, which results in consumers getting an understanding of what social

responsibility actually means. Finally, it is also Mr Zotter that brings social responsibility to new levels. This is proven with the company's expansion to China for instance. Zotter will be the first firm that offers organic and Fair-Traded products in China. Clearly, it is not many Chinese that are attracted by such activities yet but education in this regard has to start at some point. Thus the above given facts result in Mr Zotter being named as a key resource with regard to social responsibility.

Typical **key processes** can be of very different areas such as product development, procurement, hiring and training, marketing, etc. Moreover, key processes are supported by Rules and Metrics such as supplier terms, margin requirements for investments, etc. and Norms such as approach to consumers and channels (C. C. M. Johnson 2008). What key resources the analysed firms developed and how they support them to gain a competitive advantage is analysed in the following:

There are two key elements that all three companies possess, which are **“Reinvestment of Generated Profits”** and **“High Transparency”**. First, **“Reinvestment of Generated Profits”** means that it is not only the owner, a few managers or the partners that benefit if the company generates profits. In the case of EZA, Sonnentor and Zotter it is the company as a whole and its many stakeholders that profit from the companies' success. Several examples were illustrated in the Data chapter. For example employees of Zotter get a free lunch at the canteen, Sonnentor offers a wide range of further education courses to its employees and EZA invests in its suppliers' infrastructure. Even though this is at the agenda of all three companies, Sonnentor and Zotter have the ability to not only finance small initiatives but also big projects. At Sonnentor, around €6.5 million were invested in new buildings, manufacturing machines and interior over the course of the last two years. And at Zotter, the expansion to China that is currently taking place is an investment of around €3 million to €5 million. While Sonnentor and Zotter apparently have big financial funds available for further investments, this is not the case for EZA. As was pointed out in the Data chapter, EZA's financial situation is not that favourable, as it generated a loss of €510,000 in the fiscal year 2010/2011. Therefore, this company is not able to finance big projects that are similar in scope to Sonnentor's and Zotter's.

Secondly, **“High Transparency”** is another key process that is practiced by all three companies. Since the firms try to work highly transparently, a lot of information is available

on their product's packaging, websites and facebook fan pages. Additionally, visitors are welcome to take a tour at the companies' headquarters. It is suggested that transparency in terms of product ingredients is a factor that still many companies in Austria lack. In this regard, the approach of the three companies differs. While Sonnentor's consumers are only informed about the country of origin of input ingredients of unmixed products, EZA's approach serves a best practice example. As the Data chapter illustrated, a code is printed on each product packaging. When this code is looked up on the internet, a lot of information on the origin of the product is given. Even though this idea is good as such, and the best approach of all three companies so far, it is claimed that it is not executed well enough. First of all, the code is on the backside of the packaging and it is not highlighted in any way. Additionally, the homepage of EZA's website does not inform about the possibility of typing in the code to get further information. That is why a user has to spend time on searching for where to type in the code. Secondly, the information that is given is way too detailed. For almost each of the 160 partner organizations a two page pdf file is available that informs in detail. Thus, it is assumed that only very few people take the time to read this information. Sonnentor and Zotter have not established such a system yet, but Mr Zotter mentioned that he will implement it on the basis of the QR code. Such a code would be more eye-catching than a simple several digit code on a product's packaging. Moreover, consumers that have a smartphone will have the chance to scan this code even before they purchase the product. Sonnentor claimed that its unmixed products often consist of 15 different types of ingredients and that is why there is not enough space on the packaging to print this information on it. This problem would be eliminated if the firm also used such a system. Therefore, it is claimed that there is still room for improvement but EZA at least offers an inefficient approach to gain detailed information on products.

“Creation of Workplaces” is a key process that both, Sonnentor and Zotter possess. Instead of having invested in machinery, the companies' employees conduct most of the manufacturing processes. From a social responsibility perspective this means that Sonnentor and Zotter can offer more workplaces than comparable firms can. Additionally, for both firms the possession of this key resource leads to an important advantage for the firm itself. At Sonnentor it is the reason that machineries cannot select blossoms from a pile of herbs but people can. Due to that fact, it is always a blossom that is placed behind the little window of the product package that attracts the consumers' attention (Gutmann 2011). And

at Zotter the advantage of the process termed “handgeschöpft” leads to chocolate bars that not only taste well but consist of exceptional combinations.

Finally, Zotter possess another key resource that is termed “**Direct Influence on all Production Steps**”. Due to the fact that Zotter insourced all its production steps, it is only the suppliers that deliver cocoa beans that the firm does not have a direct influence on. Mr Zotter termed this “Bean to Bar”, which gives the company the great advantage of ensuring its consumers that chocolate was produced under truly fair conditions. Other companies, that outsourced several of their production steps, could only claim this, if they had a strict monitoring system established. EZA for example, does not manufacture any of their products themselves. To make sure the firm is still able to claim that their products were produced under fair conditions, close relationship to partner organizations and a tight monitoring process have to be established. Even though it was pointed out in the Data chapter that this takes place at EZA, it is argued that this is not only costly, but also that this production process can never be as reliable as Zotter’s.

Even though Sonnentor and Zotter already have some advantages compared to EZA, it is all three firms that possess several key resources and process that would theoretically allow them to be successful in their approach. Nevertheless, the following two parts will point out several more disadvantages that EZA faces when its approach is compared to Sonnentor’s and Zotter’s.

(3) Careful Market Adoption Strategy

When it comes to a careful market adoption strategy, two major points are of importance in this thesis. First, it is complicated to introduce a novel business concept to the market in general. The major disadvantage a company faces that tries this, is the fact that it has to create outside demand first. In the case of the three analysed companies, low demand is due to the difficulty of having to explain to people why to take fairness into consideration when purchasing groceries. Especially if the input ingredients the firms refine, such as cocoa beans, coffee beans and herbs, are not harvested in the same region as the consumers purchase their products. This leads to the fact that consumers need to be educated.

Secondly, it is a fact that 100% fairness cannot be achieved but only striven for. Therefore, every firm that builds its business on fairness will always have minor shortcomings. This is a fact that is especially true in the beginning of the companies’ operation and of course also

applies to the three analysed businesses. But in order to become ever better at their fairness approach, consumers have to be willing to overlook the early shortcomings and trust the company to improve over time.

(3) 1. Consumer Education

Since all three firms have launched initiatives to educate consumers, it is claimed that the necessity of this point is understood by all analysed companies. Nevertheless, it is also argued that at Sonnentor and Zotter this is conducted more successfully than at EZA. Before going into detail why this is the case, it is pointed out that each of the companies target a distinct group of people or a certain consumer segment. It is suggested that this consumer segment is above all characterized by consumers that have fairness in their minds when making purchase decisions. That is why these consumers spend a considerable amount of time to inform themselves about companies and their products in order to take a responsible decision. Naturally, it could be argued that the consumer segment can also be described as people with a high income and a high level of education. Anyway, it is argued that when it is about Sonnentor's and EZA's products, also people with an average budget are able to afford them (above it was highlighted that this might not be necessarily true for Zotter's products). Their products might be slightly more expensive than comparable ones, but in a country such as Austria, where living conditions and salaries are considerably high for the majority of inhabitants, it is claimed that ordinary people can still afford these products. Furthermore, the likelihood that current consumers of the three analysed companies have an above average education is most probably true. Nonetheless, it can also be explained to people with below average education why it is important to take fairness into consideration when buying groceries. Since these two statements are believed to be true, it is argued that it is neither about the salary nor about the level of education, if consumers take responsible purchasing decisions or not. This leads to the suggestion that the majority of people in Austria can be convinced to switch to fair produced products, if they are educated about why this is important.

As pointed out above, all analysed companies pursue activities to increase the awareness of the importance of responsible purchasing decisions. These activities take place through e.g. the companies' websites, facebook fan pages and tours through the companies' premises that can be booked. EZA for example wants its consumers to understand the difficult

conditions underprivileged farmers have to face that live in Latin America, Africa and Asia. Sonnentor informs about the benefits of a sustainable lifestyle and how to achieve it. And Zotter tries to explain that it is important that consumers know where their groceries come from and what quality they have (see the explanation of the “Edible Animal Farm” that was given in the Data chapter).

There are two major differences between the approach of EZA on the one hand and Sonnentor and Zotter on the other hand. These are the “**Point of View of Educating Consumers**” and the “**Firm’s Marketing Capabilities**” to do so. First, EZA’s approach is clearly to inform about social injustice, which has a negative point of view on the topic of fairness. But Sonnentor informs how people can improve their lifestyle and Zotter how the quality of goods is evaluated. It is argued that both companies have a positive approach to fairness when they highlight these points. Therefore, it is assumed that consumers of EZA are confronted with a negative attitude and consumers of Sonnentor and Zotter with a positive attitude. This fact also supports the reason why EZA (2,400) has so many less facebook likes than Zotter (22,249) and Sonnentor (18,929) (reference date: 4th of December 2012). It is suggested that it is easier to like a company with a positive approach and posts with a positive content than a company with a negative approach.

Secondly, only because the companies have a responsible and sustainable business approach does not mean that they are not allowed to market their products. Actually, the better they market their products, the wider their reach of positively influencing their consumers through educational measures. Nevertheless, as explained in the Theory chapter under “11 Ethical Marketing”, advertisement expenditures should not be too high when doing so, which anyway is not applicable to the three companies. It is claimed, that it is four marketing activities that are conducted by both, Sonnentor and Zotter, or by either of them but not by EZA.

1. Continuous Product Innovation: Sonnentor and Zotter both have a wide range of products available in their portfolio. Zotter for example has a portfolio of 300 different types of chocolate bars. Each year, some of the chocolate bars are removed to make space for new ones. Thus, fans of Sonnentor and Zotter always have a reason for visiting the firms’ shops or factory once more or visit the companies’ website for news.

2. Outstanding founders: Both, Mr Gutmann and Mr Zotter are outstanding personalities.

This leads to consumers remembering and connecting the companies with one person. Due

to this both founders are often interviewed by radio stations and newspaper reporters. This represents very cheap but effective marketing initiatives.

3. “Out of the Box”-Thinking: Especially the company Zotter proves to have an extra-ordinary approach. First, the many different varieties of chocolate, in which seemingly incompatible flavours such as pink coconut and fish gum are combined, can be seen as extra-ordinary. Secondly, big projects such as the “Edible Animal Farm” and the expansion to China are reasons for people to inform themselves about the company’s next steps and to talk with friends and family about it. With regard to “out of the box”-thinking, Mr Zotter said that he wants to be loved or hated but never wants to be average (Zotter, Frühstück bei mir 2012). This leads to word-of-mouth marketing that does not cost anything but is highly effective.

4. Starting a Movement: While at Zotter it is the firm owner that clearly pushes himself to the fore, it is a different approach that is pursued by Sonnentor. Since it is Sonnentor’s declared mission to inspire as many people as possible to follow the company on its truly sustainable and responsible path, everyone should be part of this movement. Mr Gutmann explained that his employees are seen as ambassadors of spreading the Sonnentor lifestyle. Thus, they are the keystone of fulfilling Sonnentor’s mission of inspiring many followers, which again represents a cheap but very effective way of word-of-mouth marketing. These four points also explain why Sonnentor and Zotter have considerable more facebook likes than EZA. Clearly, it is not only about facebook likes, but also about radio and newspaper interviews, visits at the firm’s headquarter, etc. that count when it is about reaching many people to convince them why fairness is an important purchase criterion. But since facebook likes is a figure that the three companies can be compared upon, it was chosen to illustrate it.

(3) 2. Consumers Trust in the Firms’ Fairness Approach

The second major point that was addressed above is the fact that the three companies have to make consumers trust them. If so, consumers overlook early and minor shortcomings of fairness in the firms’ approaches.

As it was already pointed out in the first part of this chapter (at “6.1. Analysis with the Use of Model 1”), all three firms have a holistic and genuine approach to fairness. It is argued that this approach leads to consumers being less suspicious of the analysed firms.

It is claimed, that several additional measures can be conducted, to further increase the

consumers' trust. First, **transparency** of a company's activities is important. That way, consumers have the chance to get a picture of how the company works and if it is actually true what they claim. It was argued that all firms possess the key process of "High Transparency", but should improve the available information on product ingredients. Secondly, **consumers** must have the chance to **enter into a dialogue** with representatives of a company. That is when consumers can ask questions and share their critical opinion. If employees of the firm are patient and take time to carefully explain the company's activities, consumers will have an increased trust. Therefore, it is suggested that especially Sonnentor's approach is a best practice example. At Sonnentor training and development of employees is regarded as highly important and they are seen as ambassadors to spread the firm's mission. Thus, they have the knowledge and the confidence to properly engage with consumers and convince them of the positive contribution of their firm. Finally, it is claimed that a company should **not oversell** its **positive contribution**, because this would lead to consumers being increasingly suspicious. It is concluded that none of the three companies oversells their activities.

To conclude "(3) Careful Market Adoption Strategy", it is argued that firms themselves can ensure high transparency of their activities. This leads to increased trust of consumers in the companies and it is argued that this is performed considerably well by all analysed firms. Nonetheless, when it is about educating consumers, Sonnentor's and Zotter's approach is better and reaches a wider audience than EZA's. This leads to the latter having a competitive disadvantage when compared to the two former.

Since this awareness is only on the minds of a minor group of consumers, it is argued that competing on fairness by only or clearly prioritizing it, is not a suggested approach. Focusing on quality and product innovation and at the same time highlighting that the products were produced in a company that pursues a holistic and genuine social responsibility approach, is the suggested strategy for the firms that were analysed in this thesis. As it was pointed out, Sonnentor and Zotter already do this quite well.

(4) Enabling Local Cluster Development

Enabling local cluster development is part of the Shared Value Creation theory and primarily is about creating win-win situations with all stakeholders. Several initiatives that the analysed firms conduct, to create such beneficial relationships, were already given in the

Data chapter. Thus, in this part they are not mentioned one more time in detail, but it is pointed out why the firms themselves benefit from having a positive impact on their stakeholder groups.

First, the stakeholder group “Managers / Employees” benefit from the firms financing for example further education (Sonnentor), free lunch (Zotter) and educational trips (EZA). Moreover this leads to increased motivation and improved skills of managers and employees and in the long-run will attract talented employees. Thus, it is also the firms themselves that benefit from such initiatives.

Secondly, the stakeholder group “Suppliers” is treated with respect, not confronted with heavy price pressure, shared knowledge with and it is invested in their infrastructure. These several initiatives not only lead to farmers having improved standards of living, but also to the companies getting a very high quality of input ingredients. Thus, through a fair treatment of suppliers, a firm benefits by being able to offer products of best quality to their consumers. It is argued that all three analysed companies do a good job in creating win-win situations with their suppliers.

Thirdly, the stakeholder group “Consumers” is educated as it was discussed at “(3) Careful Market Adoption Strategy”. Therefore, a company has to adjust its marketing initiatives and be able to utilize its marketing tools very well. This will lead to consumers being able to make improved purchasing decisions, because they will consider how fair a company produces its products. The better this is achieved, the more consumers will demand fairer produced products and this will automatically lead to higher sales figures of the analysed firms. It was pointed out that Sonnentor and Zotter are better than EZA in creating win-win relationships with their consumers.

Fourthly, the stakeholder group “Local Community” can suffer or benefit from a company’s activities. Compared to EZA, Sonnentor and Zotter found ways to strengthen their region. Zotter, even though having to source cocoa beans from outside of Austria, tries to source local available input ingredients from within the region. Milk is one example for Zotter’s effort in this regard. In addition, since only during 2011 around 250,000 visitors came to the chocolate factory, nearby restaurants and shops also benefit from the existence of Zotter. And at Sonnentor franchisees are allowed to supply their stores with products from other

regional companies and regional construction firms are hired to build new facilities. The figure of expenditures that benefit the immediate region is even recorded at Sonnentor. In 2011 it was 46% of all expenditures (including raw ingredients for tea production, construction contracts, services, etc.). It is suggested that a company that strengthens its region, benefits because that way it builds up a network of many business partners. The chance is likely, that Sonnentor and Zotter will receive help from their strong network when the chance arises.

Even though it is more difficult to find a way to support the stakeholder group “Competitors” in a reasonable way, it is suggested that the above mentioned network of business partners can be strengthened even more if also competitors are supported.

Finally, the stakeholder group “Governments” is supported by any company through the creation of workplaces and the payment of taxes. It is argued that three analysed companies would benefit the most if they in addition would engage in responsibility lobbying, which was described at “2.1.3.1. ISO 26000:2010 - Guidance on social responsibility”. Through such activities, firms could for example persuade political decision makers to implement incentive systems for companies that have a holistic and genuine approach to social responsibility. Anyway, as it was described in the Data chapter, all of the analysed firms wish that they and other like-minded companies would receive more governmental support, but none of them pursues any activity in this regard.

To conclude “(4) Enabling Local Cluster Development”, it is argued that all firms benefit of strong win-win relationships that are established to the stakeholder groups “Managers / Employees” and “Suppliers”. While none of the firms apparently strongly benefits from its engagement with the stakeholder group “Governments” and “Competitors”, Sonnentor and Zotter profit from their initiatives with regard to the stakeholder groups “Consumers” and “Local Community”. Thus, compared to Sonnentor and Zotter, EZA does not seem to have a holistic approach in this regard.

(5) Substantial and Enduring Positive Impact on Society / Gaining Competitive Advantage in Terms of Differentiation

It was shown that all three companies have a positive impact on society, yet, it is Sonnentor and Zotter that have implemented this more successfully in their strategy and have a better

and more holistic approach than EZA. Thus, whenever these two companies sell more of their products, establish contracts with new suppliers or decide to expand to new regions, they will also automatically increase their reach of having a substantial and enduring positive impact on each stakeholder they engage with.

Moreover, both companies definitely achieved to differentiate themselves from their competitors. They possess many key resources and processes at the core of their enterprise to deliver fair produced products of remarkable quality. In addition, they are also able to market their company and products well and at the same time educate their consumers why they should take fairness into consideration when buying groceries. Thus, Sonnentor and Zotter also gained a competitive advantage in terms of differentiation.

Anyway, this clearly does not mean that EZA does not have a positive impact on society. Yet, it is claimed that the firm does not possess an as clear competitive advantage in terms of differentiation as Sonnentor and Zotter do. This would also explain why EZA struggled financially during the fiscal year of 2010/2011, when it generated a loss of € 510,000. That is why it is argued that a company cannot only focus on having a positive impact on society, but above all has to be performing well in financial terms. It needs to generate profits to be able to further expand its positive impact. And this is what EZA risks losing.

7. Conclusion

In this chapter the major findings of this thesis are discussed. First, characteristics that the three analysed firms have in common are highlighted. This serves as lessons learnt for firms that want to improve their corporate social responsibility activities, in order to have a substantial positive impact on society. Secondly, it is pointed out what firms like the analysed ones have to consider, to stay competitive and to improve their initiatives. Thirdly, the limitations of this thesis are given.

Commonalities of the Analysed Firms

First, the three companies understand global correlations within their industry and are aware of the difficult situations their suppliers, who are mostly small farmer families, are in. Only through this understanding they are able to have a positive impact, because otherwise a firm's support could not be proper even if it is intended to be so.

Secondly, such firms have a long-term orientation, which above all leads to reinvestments of generated profits into the own company, instead of disbursements to shareholders. This has several positive outcomes. For example, investments in employees in general and in their development are made, which makes them exceptionally skilled and satisfied. Furthermore, suppliers can be supported financially and through knowledge sharing, which leads to the establishment of strong and beneficial relationships to suppliers. Additionally, if such companies had not a long-term approach, they would not make the effort to raise the awareness for the importance of fair produced goods. But since they do, consumer education is on the agenda of these firms.

Thirdly, besides understanding global correlations within their industry and having a long-term approach, it appears as if these firms rethink how business is conducted. Thus, their established business models work against the prevailing management theories that are taught at business schools today. One example is the fact that outsourcing non-core competencies is not on the minds of these firms. This increases costs, but allows the company to be able to have a direct influence on activities that take place within their value chain. By following the prevalent business practice of outsourcing, firms lose this control and cannot ensure a positive impact anymore. A second example for not following prevalent management knowledge is that the analysed firms do not utilize the bargaining power they have over small suppliers. They rather pay fair prices and support suppliers to establish a

well-functioning infrastructure. This also increases costs but at the same time leads to high quality input ingredients. Thus, the initiatives followed by the analysed companies could be seen as an economic disadvantage, if they are viewed independently of one another. But when having a holistic view on their concept, it is realized how and why their business model functions well.

Fourthly, it was figured out that the analysed companies pursue a differentiation and not a cost leadership strategy. If they were cutting prices at any cost, they could not insource activities or pay fair prices to their suppliers. Thus, it is claimed that fairness has a price and companies that want to be cost leaders within their industry, can never achieve a holistic and genuine approach to social responsibility. This is also what the majority of consumers have to learn. If firms that make products for discount supermarket chains claim that they have a positive impact on all their stakeholders, consumers should view such a claim with scepticism.

Moreover, it is argued that it is especially small and medium sized enterprises (SMEs) that have the ability to make truly positive contributions to society. It was pointed out above that it is more difficult for companies that pursue a cost leadership strategy to be socially responsible. Due to the fact that SMEs cannot target the mass market and therefore usually cannot conduct a cost leadership strategy, they have to follow the differentiation strategy. One way how they can differentiate themselves is by having fairness embedded in their strategy, such as the analysed firms.

Nevertheless, it also has to be concluded that the analysed firms might have a genuine approach to social responsibility but their impact is on a relatively small scale. This is illustrated in Table 4 that highlighted the market shares of the three companies, which is between 0.82% (EZA in the coffee industry) and 2.85% (Sonnentor in the tea industry).

Suggestions for Analysed Companies

In the course of this thesis, several ideas were presented what the analysed companies have to consider to stay competitive and to increase their positive impact.

First, and above all, they have to understand that generating profits is necessary in order to be able to have a positive impact on society. Unlike NPOs (Non Profit Organizations), which are typically financially dependent on governments and other external investors, For-Profit firms are not allowed to make losses over a long period of time because then they face

bankruptcy. Once they are bankrupt, they have not the chance to continue making the world a better place. But if the firm is financially successful, it not only keeps having a good impact on society, but also improves this impact over time and expands it further to other geographic regions.

Secondly, it was figured out that the analysed firms also have to be aware of the fact that they cannot be successful by only competing on fairness. It is argued that a small consumer segment might value fair produced goods, but they would not purchase these goods if they were not also of high quality. It is suggested that competing on quality in the Genussmittel industry means to compete on good taste, product innovation and organic farming. Thus, firms that want to compete on fairness should automatically also compete on high quality, which makes very much sense, because these factors go hand in hand. This was discussed when it was illustrated that a socially responsible business approach leads to local cluster development. This was explained by the fact that a firm that has a positive impact on all stakeholders also creates strong beneficial relationships to them. One example is the fact that a company that has fairness embedded in its strategy, will try to support its suppliers. That is why, knowledge is shared and financial aid is given by this firm, which first leads to an improved infrastructure of the supplier and later to a better quality of crops. Due to that fact, the supplier is entitled to receive higher payments and firms can offer goods of improved quality. Additionally, it was pointed out that the fact of high quality goods also has to be marketed properly, in order to make consumers aware of this fact.

Thirdly, it is a fact that the number of consumers that have fairness on their minds when making purchasing decisions is relatively limited in Austria. Thus, consumers have to be educated about why they should consider products of such companies as the analysed ones. Therefore, it is claimed that firms with such a strategy have to be successful in educating consumers. This not only means to provide information but also to utilize marketing tools well. Only that way firms have the ability to reach many people. Additionally, it was explained that firms should be highly transparent, should not oversell their positive contribution and give consumers the chance to enter into a dialogue with firm representatives to educate consumers and at the same time convince them that the own company has a genuine approach to fairness.

Fourthly, it was claimed that firms that have a positive impact on society should be supported by the media and the government. The former has a great ability to increase the

awareness of the importance of making responsible purchasing decisions. If it were only the firms themselves, the reach of addressing many people is limited. The government can support through tax reliefs for firms that have a truly positive impact on society and the establishment of networks for like-minded social business entrepreneurs to encourage and support start-ups in this field of business.

Limitations

Finally, two limitations of this thesis are given. First, this thesis was conducted for firms that are in the Genussmittel Industry. This included each one firm that is in the tea, the coffee and the chocolate confectionary industry. That is why the analysis and the conclusion cannot be transferred one-to-one to firms in other industries. Nonetheless, it is claimed that many points that were made are correct and also relevant for firms that operate in other industries. That a company should pursue a differentiation and not a cost leadership strategy, if it wants to ensure a holistic and genuine social responsibility approach is one example. A second example is that through a holistic consideration of stakeholder claims a firm can enable local cluster development, which not only benefits stakeholders but also the company itself.

Secondly, this thesis was conducted for firms that are headquartered in Austria, which is also the country where these firms generate most of their revenues. Thus, limitations are not only in terms of industry but also in terms of geography. While it was argued that some consumers in Austria already have fairness on their minds, this is clearly not the case for consumers in underdeveloped countries like Sierra Leone or Zimbabwe where the majority of people live in poverty. Clearly, it is those people that have to benefit from such firms as the analysed ones. Moreover, it is claimed that neither consumers in developing countries, such as Brazil and China, have fairness on their minds when purchasing their daily groceries. Even though it is a few very rich people that could actually afford such products as the ones the analysed companies manufacture, it is doubted that they would purchase them. And if they were doing this, they would not do it for the reason that these products were produced under fair conditions, but because they are more expensive than the average products. It is argued that the reason for this behaviour is that the wealthy population in these countries generally does not consider sharing their wealth, because the majority is driven by materialism. Thus, it is suggested that first the mind-set and the approach to equality should

change, before firms with a genuine social responsibility approach can be successful in such geographic regions. Nevertheless, this is a situation that is given in developed countries. Thus, it is claimed that the findings of this thesis not only apply to firms in Austria but also to firms in North America and Western Europe.

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9. Appendix

9.1. Questionnaire

Part 1: Evaluation of the company's impact on its stakeholders (18 Questions)

Owner & Investor:

1. Who owns shares of the company?

Aim of this question is to figure out if the company is solely owned by person(s) that actually contributed to the daily business or if other investors have a stake in the company.

2. What vision is your company pursuing?
3. What approach do you follow to ensure a successful cooperation with a business partner that is from a different culture than yourself?

Employees and Managers:

4. How many people are employed in the company and how many of them have a management position?
5. Who does an employee, for example from the production line, contact, if she/he encounters a problem?
This question aims at figuring out if the hierarchy of the company is flat or steep.
6. What minority groups live in the region in which your production facilities are? Are representatives of these employed in your company? (Who? How many?)
7. Do employees in your company have the possibility to further develop and educate themselves? If so, which?
8. What is your opinion to following statement: "While one million Austrians are at risk of a burnout, around 7% are unemployed." What could be done to mitigate this situation?

It is not only the personal opinion that is figured out based on this question, but as well if within the company measures are taken to mitigate the explained situation.

Consumers:

9. What advertising activities take place in your company?

10. Do you offer products for minority segment such as people with food intolerances and people with a low income? What products?
11. Do you carry out consumer awareness raising through for example encouragement to sustainable consumption, information about living conditions in underdeveloped countries, etc.? If so, what activities do you pursue?
12. Do consumers have the possibility to figure out following about your products: origin of individual product ingredients and the price composition? If so, how?

Supplier:

13. Do you arrange standards which your suppliers have to comply to? If yes, what kind of standards are these? And how is the compliance verified?

Competitors:

14. Do you in any way cooperate with your competitors? If so, in what way?
15. Do you in general cooperate with other companies that are neither your suppliers nor your competitors? If so, on what do you base your decision on if you cooperate with a company?

Today especially bigger companies with a rather bad responsibility reputation try to cooperate with small and very ethical companies. This way they might launch green products besides their regular product-lines in order to profit from the positive reputation.¹ Due to the fact that this manipulates consumers, it should be prevented. Therefore the question is asked.

Government and Law:

16. Are current laws supportive for a sustainable and responsible company as yours? If not, how could it be improved?

Local Community:

17. Do you support development projects either financially or through active support of employees (keyword Corporate Volunteering)? If so, which and how is decided upon which projects you support?

¹ G. Unruh, R. Ettenson, *Growing Green*. s.l. : Harvard Business Review, 2008, pages 27 - 29

18. Are activities performed by your company to improve the economic strength of your region? If so, which?

Stakeholders in General:

19. What possibilities do stakeholders have in general to make contact with your company, to for example share their opinion about the company's activities?

Part 2: Strategy (7 Questions)

20. Does a fair produced product have to have a price premium when compared to a regular product? If so, why?

21. Key Resources are for example employees, production facilities, a company's brand etc. Does your company have key resources that allow you to produce fair on such a high level as other companies cannot do it?

22. Key processes are for example product development, procurement, marketing, etc. Does your company have key processes that allow you to produce fair on such a high level as other companies cannot do it?

23. How can the different market-segments be described that your company's consumers belong to? (Asked in a different way: What do your consumers have in common?)

24. How can it be accomplished that consumers have fairness on their mind when entering a supermarket to buy their daily groceries? What has to be done by companies and what by other entities to increase the awareness of fairness?

25. Today, consumers usually do not have the ability to access holistic information on the purchased products and the producing company. How is it still possible to establish company-to-consumer relationships, so that consumers have trust that the company truly produced in a fair way?