



How can Retailers Take Responsibility?

Responsible Business Model Innovation in the Retail Industry

- a Qualitative Approach

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This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible – through the approval of this thesis – for the theories and methods used, or results and conclusions drawn in this work.

Preface

This master thesis is one of a series of papers and reports published by the Center for Service Innovation (CSI). CSI is a coordinated effort by NHH to focus on the innovation challenges facing the service sector and involves 20 business and academic partners. It aims to increase the quality, efficiency and commercial success of service innovations and to enhance the innovation capabilities of its business and academic partners. CSI is funded through a significant eight year grant from the Research Council of Norway and has recently obtained status as a Centre for Research-based Innovation (SFI).

Acknowledgements

The subject of this Master Thesis is responsible business models in the retail industry. We use business model and business model innovation as tools to analyze how retailers are implementing responsible business practices. The work has given us valuable insight into the retail industry, and how retailers can have a positive impact on the environment and society. After this extensive work, we hope to gain further insight into these topics during our careers.

First of all, we would like to sincerely thank our supervisor, Tina Saebi, for good facilitation, rich feedback and constructive ideas during the whole process. Your engagement has surpassed what we expected from a supervisor. Thank you for your fantastic help and involvement.

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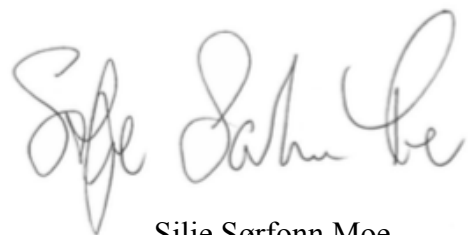
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We wish you all a good read!



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Abstract

Retailers are widely recognized to have the greatest impact on the environment and society. In order to shape a sustainable future, retailers must take responsibility for their impact. However, managers seem to lack the required know-how and strategies on how to implement responsible business practices into their business models. To address this knowledge gap, we first identify the different types of responsible business models in the retail industry, by analyzing a sample of 72 international retailers. This allows us to show how responsible business practices are being implemented in the different models. Second, based on a multiple-case study with in-depth interviews, we develop a step-by-step framework for business model innovation, illustrating how retailers can shift towards more responsible business models and highlighting the common challenges.

Our findings generated six types of responsible business models that differ in terms of the extent to which environmental and societal goals are integrated into the business model: The Reinventor, The Green Enthusiast, The Teacher, The Team Player, The Supply Chain Manager, and The Problem Solver. In order to successfully shift towards a more responsible business model, our thesis indicates the importance of management support to drive business model innovation and motivate the entire company to be a part of the change.

Hereby, our thesis contributes to the emerging literature on responsible business models by illustrating how responsible business practices can be integrated into firms' business models. Exploring this in the context of the retail industry, enables us to provide retailers with a comprehensive overview of relevant responsible business models. We present state-of-the-art literature on the emerging field of business model innovation, and offer practical recommendations on how retailers can have a positive impact on the environment and society.

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*We're shaping a sustainable future,
and you need to be a part of it.*

(United Nations Global Compact, 2015)

1. Introduction

There are two pressing needs for why retailers need to adopt responsible business models. Firstly, crucial challenges such as decreasing resources, global warming and human rights issues are challenges that need to be dealt with. Secondly, finding innovative solutions to tackle these issues can lead to competitive advantages. Hence, *business as usual* cannot continue. At the United Nations Conference on Climate Change in Paris, December 2015, the world is going to agree on how to solve the climate challenges. Retailers must participate in solving these challenges, considering that they are widely recognized to have the greatest impact on the environment and society (Jones, Wynn, Comfort & Hillier, 2007). In addition, retailers have great impact on consumers' purchasing decisions (Sorescu, Frambach, Singh, Rangaswamy & Bridges, 2011), which implies that retailers have power to influence the whole value chain. As of today, retailers are an untapped source for guiding the global green shift (Gramstad, referred in Sørheim & Visjø, 2015).

An increasing number of scholars are examining corporate social responsibility and sustainability in the retail industry. We respond to this prior work and call for future research on the retail industry's transformation and challenges. Heyes (2014), for instance, explains how retailers must argue for their existence of being a consumer-focused and profit-maximizing industry, in a world struggling with environmental shifts and human rights issues. The retail industry is therefore characterized by a need for new and innovative business models to address both environmental and societal challenges.

In line with extant literature we define *responsible business models* as *organizational designs where societal and environmental considerations are integrated parts of how value is created, delivered and captured*. Hereby, our definition encompasses both environmental as well as societal goals, which is essential considering the impact retailers' decisions and actions have, on both the environment and society.

Based on literature review, research on industry practices and expert interviews that we conducted for the purpose of this thesis, there are two important reasons for why retailers are resistant to implement responsible business models: (1) There lacks a clear conceptualization of the different types of responsible business models that retailers can adopt, and (2) there lacks an understanding on *how* to implement responsible business practices into the business model.

Our aim is therefore to contribute to a better understanding on how retailers can have a positive impact on the environment and society, by designing responsible business models.

So far, practitioners are confused about which aspects of social responsibility they should apply, what governance model they should adopt, and their role in society (Blaga, 2013). More precisely, it is not clear how responsibility can be integrated into the business model and what types of responsible business models are available for retailers. The majority of research on responsible business models is limited to *single-case studies*, delivering in-depth analysis of one particular company's business model. Typically, this stream addresses the emergence of responsible business practices in a particular setting, such as in second hand retailing (e.g., Hvass, 2015), and how various green initiatives affect the components of a business model (e.g., Morgan, 2015; Joule, 2011). Another stream is looking at a specific sector, for example hotels (e.g., Mihalič, Žabkar & Cvelbar, 2012), pharmaceutical biotechnology (e.g., Grønning, 2013; Carbone, 2003), e-retail (e.g., Niraj & Nageswara, 2015; Edvardsson & Enquist, 2011), food manufacturing (e.g., Hemphill, 2013), banking (e.g., Stubbs & Cocklin, 2008), and the public sector (e.g., Osborne, Radnor, Vidal & Kinder, 2014). Among the reviewed studies, only one study has offered archetypes of sustainable business models (Bocken, Short, Rana & Evans, 2014). However, as the term *sustainable* implies, these archetypes have a stronger emphasis on environmental innovation, which implies that research lacks exploration of societal business models. Furthermore, these archetypes seem too broad for the purpose of this study, as they are not directed towards identifying responsible business models in the retail industry. To this end, we intend to generate the first comprehensive typology of responsible models in the retail industry.

Second, we aim to provide retailers with a complete overview on how to shift towards more responsible business models. Scholars agree that sustainable innovation involves changes in organizational designs, and therefore requires business model innovation (e.g., Boons, Montalvo, Quist & Wagner, 2013; Blaga, 2013; Jørgensen & Pedersen, 2013). However, how exactly this transformation can take place has not been addressed sufficiently in extant sustainability and business model literature. For example, research on sustainable business models has either focused on developing new business model ideas with a focus on sustainability (e.g., Girotra & Netessine, 2013; Eppler, Hoffman & Bresciani, 2011), investigating the triggers for sustainable business model innovation (e.g., Hansen, Lüdeke-Freund, Quan & West, 2013) or highlighting the common barriers and threats enterprises must overcome during a change for sustainability (e.g., Laukkanen & Patala, 2014; Pedersen & Andersen, 2015). As Heyes (2014) confirms, the sustainability literature lacks a common understanding of business model innovation for sustainability. Similarly, the business model

literature has predominantly focused on the *need* for business model innovation (e.g., Chesbrough, 2007; Johnson, 2010), but less on *how* the innovation should be carried out in practice (Frankenberger, Weiblen, Csik, & Gassmann, 2013). Hence, more research on how business model innovation for responsibility can be carried out in practice, particularly with regards to challenges and critical capabilities, is required. To this end, we derive a step-by-step framework for business model innovation.

1.1 Research Question and Outline of the Thesis

To address the mentioned gaps in the literature, we intend to answer the following research question:

What are the emerging types of responsible business models in the retail industry, and how can retailers shift towards more responsible business models?

In order to answer our research question, we will clarify the concepts of corporate social responsibility and sustainability, and how these can be translated into responsible business model designs. We further identify the main drivers and barriers for responsible business practices, which lead to the emergence of new business models in the retail industry. We do so by reviewing existing literature, identifying industry practices, and conducting in-depth interviews with selected retailers. This enables us to generate types of responsible business models in the retail industry, and derive a step-by-step framework for business model innovation. Figure 1 illustrates the outline of the thesis.

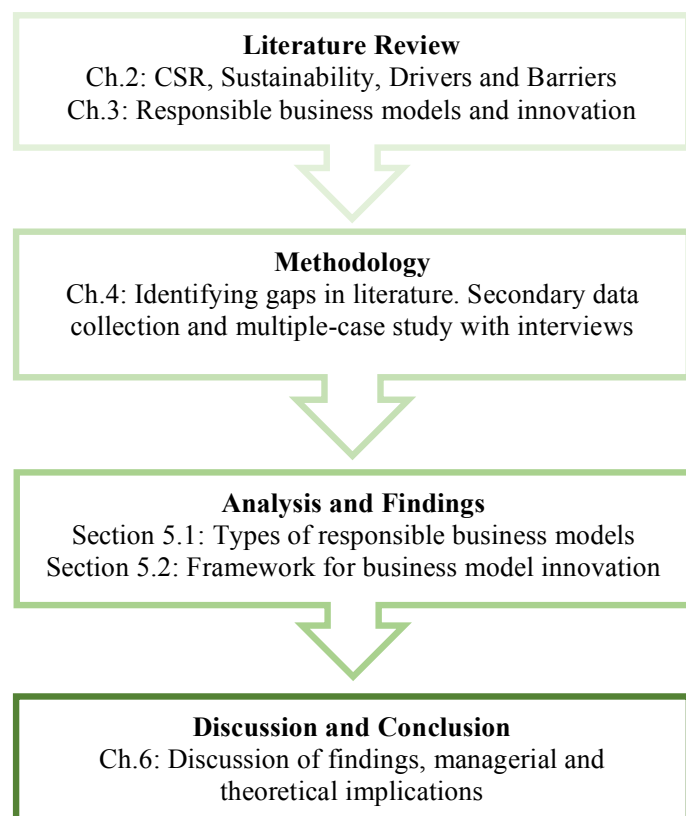


Figure 1: The outline of the thesis

Our findings offer valuable contributions. First, by adopting a business model perspective, we are able to explain how responsible business practices can be integrated into

the different pillars of a retailer's business model. Based on our analysis of 72 retailers, we generate six types of responsible business models. We hereby reach beyond the single-case study approach that is dominating extant literature on sustainable business models. Furthermore, our definition of *responsible business models* encompasses both environmental and societal goals, hereby reaching beyond a mere focus on environmental aspects. Second, our typology of responsible business models can help to further enrich existing business model literature. As Lambert (2015) points out, the business model literature lacks a systematic approach to the development of business model classifications. Hence, our approach in deriving responsible business model types for retailers can serve as a useful example for business model classification in other industry contexts as well.

Third, our business model innovation framework details the challenges and critical capabilities in shifting towards a more responsible business model. Hereby, we advance understanding of how practitioners can prepare for such a shift, and manage the transformation process more effectively. In addition, by examining the entire retail industry and not limiting ourselves to one industry sector, we are providing a generalizable and comprehensive overview of the retail industry as a whole.

Boundaries of the thesis

We limit our research by exclusively examining the retail industry. In our thesis we define the *retail industry* as the market for the sale of goods or services to consumers rather than producers or intermediaries (Retail market, n.d.). A *retailer* is seen as the active intermediary between primary producers and manufacturers on the one hand, and consumers on the other (Jones, Hillier & Comfort, 2013). In addition, we are primarily looking into strategic and organizational aspects by using business models as a tool. We therefore do not analyze the economic effects of such changes in-depth. We assume that certain organizational changes, for example the implementation of a responsible business practice, has an effect on the cost structure. Further, we assume that a responsible business model practice will be profitable in the long-run. Our understanding follows prior research: Investing in corporate social responsibility and sustainability can result in increased brand equity, stronger loyalty among the customer group, and a favorable brand image among external stakeholders (Cooke & Qiaoling, 2010; Saeidi et al., 2015).

2. Responsible Business Practices

The terms *corporate social responsibility* and *sustainability* are often misleadingly used in extant strategy and management literature. In the following, we will first review these different terms and proffer our own definition of *responsible business practices*. Next, we will discuss the drivers and barriers for responsible business practices in the retail industry.

2.1 Defining Corporate Social Responsibility, Sustainability and Responsible Business Practices

2.1.1 Defining Corporate Social Responsibility

Reviewing the literature, we found that there is not one commonly accepted definition of corporate social responsibility (CSR). Definitions of CSR tend to be divided between an *instrumental* and an *altruistic* view. The instrumental view defines CSR by its costs and impact on firm financial performance (Jones Christensen, Mackey & Whetten, 2014). Friedman (1970), for example, argues that the social responsibility of businesses is to maximize profits while conforming to the basic rules of the society. An altruistic view, on the other hand, defines CSR as “caring for the well-being of others and the environment, with the purpose of also creating value for the business” (Glavas & Kelley, 2014, p. 171).

Similarly, Jørgensen and Pedersen (2013) state that social responsibility is about integrating social and environmental goals in a business’ strategy and activities. CSR will therefore have implications for strategy, management, product and service design, marketing, communication and organizational designs. Along similar lines, UNIDO (n.d.) argues that CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. The importance of a *triple-bottom-line-approach* is mentioned in relation to their definition of CSR. That is, the importance of achieving a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders.

Consequently, an important element in CSR is the role of stakeholders. According to Carroll and Buchholtz (2008), the role of stakeholders in discussions of CSR is inseparable, as the stakeholder concept has become a key to understand business and society relationships. A stakeholder may be defined as any individual or group who can affect or is affected by the actions, decision, policies, practices, or goals of an organization (Freeman, 1984, referred in Carroll & Buchholtz, 2008). Da Silva and Teixeira (2008), argue that companies operate within a framework where they are faced with a variety of stakeholders, and that these stakeholders often have conflicting interests in the running of the organization. Hence,

companies need to balance the requirements of all these stakeholders (Doyle, 1998, referred in Da Silva & Teixeira, 2008).

Dimensions of CSR

From the reviewed definitions, it appears that there are various perspectives to what CSR is and what should be included in CSR activities. A company can be responsible along many dimensions, and many have chosen specific areas in which they want to take more responsibility than others (Hauge & Straumann, 2014). For example, Dahlsrud (2008, referred in Smith, 2012) has grouped CSR along five dimensions: Environment, society, economy, stakeholders and voluntariness. According to Carroll & Buchholtz (2008), businesses' responsibilities are divided between four types: Economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities. Table 1 contrasts the two perspectives on CSR dimensions.

Carroll & Buchholtz (2008, p. 44)		Dahlsrud (referred in Smith, 2012, p. 21)	
Economic	Be profitable. Maximize sales, minimize costs. Make sound strategic decisions. Be attentive to dividend policy. Provide investors with adequate and attractive returns on their investments.	Economy	Contribute to economic development. Means for profit. Financial conditions.
Legal	Obey all laws, adhere to all regulations: environmental and consumer laws; laws protecting employees. Comply with Sarbanes-Oxley Act. Fulfil all contractual obligations. Honor warrants and guarantees.	Environment	A cleaner environment. Environmentally stewardship. Environmentally focus in companies' actions.
Ethical	Avoid questionable practices. Assume law is floor on behaviour, operate above minimum required. Respond to spirit as well as letter of law. Do what is right, fair and just. Assert ethical leadership.	Stakeholder	Cooperate with stakeholders. How companies cooperate with their employees, suppliers, customers and local community. Identification and focus on the company's stakeholders.
Philanthropic	Be a good corporate citizen. Give back. Make corporate contributions. Provide programs supporting community betterment. Engage in volunteerism.	Voluntariness	Based on ethical values. Beyond legal obligations. Voluntary responsibility.
		Society	Contribute to a better society. Integrate social practices in companies' actions.

Table 1: Dimensions of CSR

As this brief review illustrates, many of the definitions share common features related to ethics, morality and norms. Consequently, we define CSR as *the intention and approach of*

integrating social, ethical and environmental considerations in organizations' strategies and activities.

2.1.2 Defining Sustainability

One confusing issue may be the distinction between CSR and sustainability, as these are broad concepts that might include several types of responsibilities, activities or goals. Table 2 contrasts some selected definitions of CSR and sustainability.

Corporate Social Responsibility		Sustainability	
Friedman (1970)	Maximize profits while conforming with the basic rules of the society.	The World Commission on Environment and Development (1987, p. 43)	Sustainable development seeks to meet the need and aspirations of the present without compromising the ability to meet those of the future.
Unido (n.d.)	CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.	Bansal & DesJardine (2015)	Sustainability balances resource usage and supplies over time. Sustainability assures intergenerational equity.
Glavas & Kelley (2014, p. 171)	Caring for the well-being of others and the environment with the purpose of also creating value for the business.	Seay (2015, p. 46)	For many in the corporate world, its meaning has moved beyond a single-minded focus on environmental responsibilities to include a business's social and economic impact.
Jørgensen & Pedersen (2013)	Social responsibility is about integrating social and environmental goals in a business' strategy and activities.	United Nations Global Compact (2015, p. 9)	Corporate sustainability is a company's delivery of long-term value in financial, environmental, social and ethical terms.

Table 2: Overview - Some selected definitions of CSR and sustainability

As table 2 illustrates, some may see a clear distinction between CSR and sustainability, while others might use the terms interchangeably. Hence, the term sustainability is defined in many different ways (Hoffman and Bazerman 2007, referred in Sheth, Sethia & Srinivas, 2011), and has often focused on environmental concerns (Sheth et al., 2011). The World Commission on Environment and Development (1987, p. 43) state that: "Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future". Similarly, Bansal and DesJardine (2015), argue that sustainability balances resource usage and supplies over time, while ensuring intergenerational equity. "When the resources we actually use match the earth's capacity to regenerate adequate future supply, then our systems remain balanced indefinitely" (Bansal & DesJardine, 2015, p. 2).

Consequently, Bansal and DesJardine (2015), argue for a clear division between CSR and sustainability, and explain that the common approach to CSR is grounded in ethics, morality and norms. Many companies borrow resources and capital from the future, in order to balance demands made by shareholders and stakeholders. This magnifies the imbalance in the distribution of resources between the short and the long-term. Hence, CSR measures do not always acknowledge the long-term impacts and might therefore be unsustainable (Bansal & DesJardine, 2015).

While some might consider a clear division between CSR and sustainability, others might interpret CSR to be an integrated part of sustainability goals. Seay (2015) argues that the meaning of sustainability has moved beyond a single-minded focus on environmental responsibilities to include a business' social and economic impact. Along similar lines, United Nations Global Compact (2015), states that corporate sustainability is a company's delivery of long-term value in financial, environmental, social and ethical terms. In line with extant literature, we define sustainability *as the approach of integrating long-term environmental, social and ethical concerns in a company's activities, strategies and goals.*

2.1.3 Defining Responsible Business Practices

As this brief literature review illustrates, there are various definitions of CSR and sustainability. This implies that the concepts remain broad, and with various interpretations. Some scholars use CSR and sustainability interchangeably, while others distinguish these two concepts, which might lead to confusion. Based on the reviewed literature, it can appear that CSR is more directed towards societal concerns, while sustainability is more directed towards environmental concerns. Consequently, we find the need to provide a definition that can serve as a common term for CSR and sustainability. Both concepts should be integrated into businesses in order for companies to take responsibility for their actions and the impact they have on society and the environment. Hence, our objective throughout this thesis is to use the term *responsible business practices* as a *common* term for CSR and sustainability. We define responsible business practices as:

The approach of integrating long-term social and environmental considerations into a company's business model.

In our definition of responsible business practices, there are two dimensions: *Environment* and *society*. Environmental considerations are in particular related to sustainability, and involve

activities aiming at reducing negative impacts on the environment. Waste reduction and efficient use of resources and energy, are examples of responsible business practices in this dimension. The social dimension involves actions that benefit the society and the well-being of others. Examples are involvement in local communities, donations, proper working conditions, protection of human rights through responsible supply chain management, and inclusive employment.

We will use the term *responsible business practices* throughout the thesis, unless we are referring to other studies which have used the terms CSR or sustainability. In the following, we will present the main drivers and barriers for responsible business practices in the retail industry.

2.2 The Need for Responsible Business Practices in the Retail Industry

The need to adopt responsible business practices has become a prominent issue for retailers (Claro, Laban Neto & de Oliveira Claro, 2013). Material use, energy consumption and environmental impact are examples of major discussion topics in the retail industry. The European Commission (2012), for example, points out the dilemma retailers face between reducing waste and limiting environmental impact on the one hand, and meeting society's demand on the other. The need for a more circular economy is strongly emphasized by the European Commission (2015), and involves reusing, repairing, refurbishing and recycling existing materials and products. For example, *environmental new product development* is becoming important, and is defined as product development into which environmental issues are explicitly integrated in order to create the least environmentally harmful product (Pujari, Wright & Peattie, 2003).

Furthermore, retailers are experiencing considerable pressure from consumers to act responsibly. Many consumers have become aware of their consumption patterns and their impact on society and nature (Pusaksrikit, Pongsakornrunsilp, S. & Pongsakornrunsilp, P., 2013). This is often referred to as *mindful consumption*, and is premised on consciousness in thought and behavior about consequences of consumption (Sheth et al., 2011).

The term *social entrepreneurship* is used to refer to the growing number of organizations that have a mission to change society, and because it contributes directly to solve environmental or societal issues, it may encourage established companies to take on greater social responsibility (Seelos & Mair, 2005). According to Cusumano (2015), traditional companies are threatened by startups on the *sharing economy*, also referred to as *collaborative*

consumption. These startups “bring together individuals who have underutilized assets with people who would like to rent those assets short-term” (Cusumano, 2015, p. 32). Cooke (2013) explains how collaborative consumption helps the environment by squeezing the most out of resources.

The fashion industry is an example of a retail sector, which has become a focal point for debates on the social responsibility of businesses, caused by the complex buyer-driven global production networks, and labor-intensive manufacturing process (Perry, Wood & Fernie, 2015). Companies tend to focus on short-term gains caused by strong competition and increasing pressure on price and quality (Lai, 2006, referred in Cooke & Qiaoling, 2010), and the business model is typically based on a short-term relationship between buyers and suppliers (Cooke & Qiaoling, 2010).

Gereffi (1999, referred in Perry et al., 2015) argues that the trend towards vertical integration of retailers’ supply chain increases the degree of global dispersal. This becomes even more prominent in light of recent events involving negligent and hazardous working practices in developing countries, which has increased the awareness of CSR issues worldwide. The Economist (2013, referred in Perry et al., 2015), for example, pointed out the consequences of overlooking CSR and supply chain management after the collapse of the Rana Plaza garment manufacturing facility, which supplied a number of leading international retailers.

In sum, two main motivations are necessitating retailers to act responsibly. From a normative perspective, retailers need to act morally (Hauge & Straumann, 2014). From a strategic perspective, investing in responsible business practices can lead to competitive advantages by enhancing reputation, improving customer satisfaction and reducing operating costs (Cooke & Qiaoling, 2010; Saeidi et al., 2015). However, despite the importance of acting responsibly, few companies have implemented responsible business practices fully into their business models. For example, as Bisgaard, Henriksen and Bjerre (2012) state, few companies have focused their green business model on both the input and output side. Gjerdrum Pedersen and Gardetti (2015) argue that the fashion industry hardly can be said to meet any definitions of sustainable development. To understand the low adoption of responsible business practices in the retail industry, we will review the most important barriers that impede the adoption of responsible business practices in the next Section.

2.2.1 Drivers and Barriers for Responsible Business Practices in the Retail Industry

Stakeholder-Related Drivers and Barriers

Companies are currently experiencing pressure from customers, society, markets and regulatory forces to act responsibly. Retailers are increasingly expected to mitigate environmental damage and to embrace eco-friendly practices in order to improve their value chain (Lai, Cheng & Tang, 2010). According to PwC (2015), sustainability issues are higher on consumers' agenda than ever before. Consumers are demanding retailers to keep pace with their changing expectations regarding sustainability issues, and want retailers to help them make more sustainable purchasing choices (IPSOS, n.d.). Mindful consumers are exerting greater influence and driving retailers to raise their environmental standard and quality (Lai et al., 2010).

Green products are often costlier to produce, and considering that consumers tend to be sensitive to changes in price, this is a central barrier (Danish EPA, n.d.-a). The European Commission (2013), for example, points out how socially and environmentally friendlier textiles might result in more expensive finished products. An additional issue pointed out, is the challenge of turning sustainable garments into products that are stylish and fashionable, as some consumers consider the appearance of eco-clothing to be unattractive. Furthermore, Chernev and Blair (2015) explain how CSR often is viewed solely as a tool for enhancing company reputations and goodwill among customers. Hence, there might be a lack of credibility among consumers if they believe that companies' CSR-efforts simply are strategic marketing tools.

Other external drivers can be pressure from competitors or non-governmental organizations (Danish EPA, n.d.-b). In addition, external regulation by governmental bodies can be efficient in creating a level playing field for all retailers (Danish EPA, n.d.-b). Increasing environmental regulations exert greater pressure on retailers to emphasize environmental considerations into their operations (Lai et al., 2010). However, cost of regulatory compliance, too few or strict regulations, and lack of environmental tax reforms are some of the barriers that exist in this category (Danish EPA, n.d.-a).

Strategic Drivers and Barriers

Lai et al. (2010) argue that the benefits of eco-friendly retailing can be attractive to retailers that are seeking improvements related to costs and services. Along similar lines, Cruz (2013) state that companies may avoid the costs of future lawsuits, negative media coverage, unreliable business relationships and financial mismanagement by investing in CSR.

Sustainability is often seen as a source of innovation, and can help retailers enter new markets, mitigate risk, and enhance retailers' brands (RILA, 2015a). Critical issues related to the environment can promote innovative thinking, for example by strategically changing the way resources and materials are used. The European Commission (2012) points out that recycling waste is one way to recover valuable resources, while at the same time reducing the waste's environmental impact.

Danish EPA (n.d.-a) points out that some of the strategic barriers are disadvantages related to being a first mover, and lack of general knowledge about environmental issues. Additionally, lack of sufficient performance indicators in order to monitor, control and reward good environmental performance, are factors that can impede the implementation of responsible practices.

Financial Drivers and Barriers

With the increasing ethical awareness among consumers, there seems to be a demand for greener products. An important financial driver is therefore the possibility to increase sales by offering eco-friendly products (BIO Intelligence Service, 2009, referred in Danish EPA, n.d.-b). If retailers can also manage to increase their resource efficiency, this can increase profit margins and reduce potential costs (Danish EPA, n.d.-b).

However, Bocken et al. (2014) argue that it is not always clear how delivering social and environmental value might translate into profit for a firm. Lack of resources and high costs of action to reduce environmental impacts are some of the major financial barriers (Danish EPA, n.d.-a). The European Commission (2009) expresses that there are insufficient incentives or rewards for companies investing in energy efficiency or greener technologies.

Organizational Drivers and Barriers

Own organizational values, and awareness of the importance of responsibility among employees or managers, can work as a driver for implementing social or environmental concerns in the business (Danish EPA, n.d.-b). However, a prominent barrier can be the lack of commitment from the top management (Danish EPA, n.d.-a; Schaltegger, Lüdeke-Freund & Hansen, 2011).

In a study of how managers of textile and apparel firms perceived CSR, it was found that many of the companies did not have a written CSR policy or obtained CSR standards. (Cooke & Qiaoling, 2010). Simionescu (2015) state that the wider meaning of the CSR definition can make it difficult for companies to establish a clear policy on what should be

included in their CSR activities. In addition, CSR goals tend to be wide-ranging, and retailers are aware that it is challenging to reconcile them (Jones et al., 2007).

Further, the retail industry is often characterized by a value chain with several actors. Hence, a major issue is related to the supply chain, as it is challenging to control the entire chain (Danish EPA, n.d.-b). It is for example common for retailers to outsource their production to low cost countries in order to save costs. The European Commission (2013) points out that complex and global value chains, often with low traceability, represents an obstacle for producers who want to improve their supply chain.

Table 3 summarizes the most important barriers to responsible business practices in the retail industry. Lack of sufficient performance and financial indicators in order to monitor, control and reward responsible business practices, lack of managerial support, and lack of organizational resources are found to be among the most prominent obstacles. Furthermore, managers seem to lack the required know-how and strategies on how to implement responsible business practices into their company’s business model. Hence, a comprehensive understanding of how responsible business practices can be integrated into a company’s business model is essential to retailers. We believe it is crucial for retailers to implement such practices, considering the impact they have on environment and society. In the following, we will present state-of-the-art literature on the emerging field of business models, and propose how companies can use business models as a tool to implement responsible business practices into their organization.

Stakeholder-related	Strategic	Financial	Organizational
Consumers are sensitive to changes in price. Challenging to make green products attractive. Lack of incentives and facilitation from regulatory bodies.	Disadvantage of being a first mover. Lack of general knowledge. Lack of performance indicators.	Unclear how delivering social and environmental value can translate into profit. High costs. Lack of resources.	Lack of commitment from top management. Lack of written CSR policies and standards. Challenging to control retailers’ value chains.

Table 3: Barriers to responsible business practices in the retail industry

3. Responsible Business Models: A Conceptual Framework

The purpose of this Chapter is to derive a definition and framework of responsible business models. To this end, we will first review the concept of business models in general, and outline its different elements. Based on a review of sustainable business models, and building on our definition of responsible business practices derived in Chapter 2, we propose a conceptualization of responsible business models and innovative measures in such a business model.

3.1 Deriving a Business Model Definition and Framework

No single definition of business models as a concept exists as of today (Santos, Spector & Van der Heyden, 2009; Zott, Amit & Massa, 2011; Saebi & Foss, 2015). Ghaziani and Vantresca (2005), for example, identified 11 separate constructs on the term business model. To date, the number of definitions has multiplied. Table 4 illustrates some selected definitions.

Authors	Definition of business model	Components
Magretta (2002, p. 4)	The Business model tells a logical story explaining who your customers are, what they value, and how you will make money in providing them value.	Customer definition; Value to customer; Revenue logic; Economic logic.
Shafer, Smith & Linder (2005, p. 202)	We define a business model as a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network.	Strategic choices; Create value; Capture value; Value network.
Chesbrough (2007, p. 12)	The business model performs two important functions: value creation and value capture. First, it defines a series of activities (...), which will yield a new product or service in such a way that there is new value created throughout the various activities. Second, a business model captures value from a portion of those activities for the firm developing and operating it.	Value proposition; Target market; Value chain; Revenue mechanism; Value network or ecosystem; Competitive strategy.
Osterwalder & Pigneur (2010, p. 14)	A business model describes the rationale of how an organization creates, delivers and captures value.	Value Propositions; Customer Relationships; Customer Segments; Channels; Key Activities; Key Resources; Key Partners; Cost Structure; Revenue Stream.
Frankenberger et al. (2013, p. 5)	We employ a conceptualization that consists of four central dimensions: the Who, the What, the How, and the Why.	The Who; The What; The How; The Why.

Table 4: Definitions and components of the most commonly used business models.

As shown in Table 4, there are several ways of defining a business model. For example, some define business models as the way in which a company creates and captures value, while others also include how value is delivered. Business models may also be perceived as a set of strategic choices. In general, business models differ according to the way in which they deliver value. Many companies can have identical products, services, and offerings, and can aim for the same market segment or no one in specific. However, companies do this with different business models (Santos et al., 2009). Despite the differences in definitions, we find that the common essence of a business model is *the way in which an organization creates, delivers and captures value*.

As Table 4 illustrates, the different components of what constitutes a business model vary in level of detail and number of components. We find that the most commonly used components are (1) the firm’s value proposition, (2) the target market the company addresses, (3) value creation or network for value delivery, and (4) value capture mechanisms. Based on this, and our own understanding of the business model concept, we propose the following four main pillars of a business model: The Value Proposition, The Customer, The Value Delivery and The Value Capture. In addition, we divide the business model into two dimensions (1) the front end which is directed towards customers and the market, and (2) the back end concerning production processes and supply chain. Our definition of the business model is featured in Figure 2, and the four pillars illustrate how a company creates, captures and delivers value.

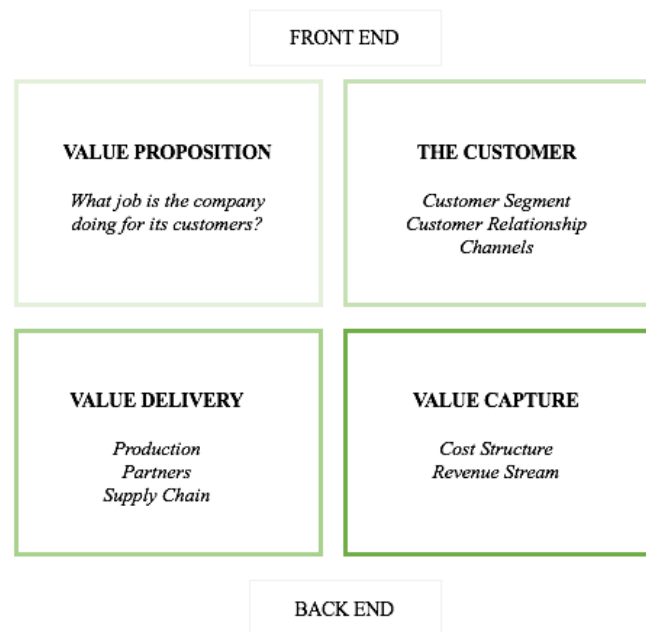


Figure 2: The Business Model and its four pillars

The Value Proposition

The Value Proposition identifies what job the company must do for its customers in order to create value (Christensen, Johnson & Rigby, 2002; Johnson, 2010). Hence, this pillar describes what value the company proposes to its customers or the market.

The Customer

The Customer is a pillar which describes the different groups of people a company aims to reach and serve (Osterwalder & Pigneur, 2010). A company should put effort in communicating with its customers, for example by establishing customer channels. Customer channels describe how a company reaches its customers to deliver a value proposition (Osterwalder & Pigneur, 2010).

The Value Delivery

The Value Delivery describes the ways in which the company is able to deliver the value proposition. To deliver value the company has to manage various processes and activities, and arrange these across the value chain (Johnson, Christensen & Kagermann, 2008). How a company delivers value depends on how production patterns and processes are developed, and which key resources and key activities that are required. The STOF model describes how a network of companies can collaborate in order to create value (Bowman, Faber, Fiel, Haaker & Reuver, 2008). Hence, engaging in partnerships can be valuable, for example with contractors, distributors, and manufacturers of other brands.

The Value Capture

The Value Capture describes why the company is financially viable (Frankenberger et al., 2013), and therefore describes the cost structure and revenue stream (Osterwalder & Pigneur, 2010). The cost structure is mostly driven by resources required in order to run the business, and the revenue stream will typically depend on the pricing model the company has chosen.

3.2 Defining Responsible Business Models

Building on the definition and conceptualization of business models provided above, we intend to delineate how responsible business practices can be integrated into retailers' business models. To this end, we review literature on sustainable business models. We will use the term *responsible business models* throughout our thesis, unless we are referring to other studies that use business models in the context of sustainability. There are multiple definitions of sustainable and responsible business models, as shown in Table 5.

Author	Term	Definition
Stubbs & Cocklin (2008, p. 103)	Sustainable Business Model	A "sustainability" business model – a model where sustainability concepts shape the driving force of the firm and its decision making.
Garvare & Isaksson (2001, p. 12)	Sustainable Business Model	The management process should lead to social and economic transformations that optimize production as well as distribution of the outcome, without jeopardizing the potential for similar benefits in the future.
Keijzers (2002, p. 350)	Sustainable Enterprise	The modern sustainable enterprise will need to engage in new forms of governance involving stakeholders in deliberations and negotiations on

		ecological improvements, relative to and balanced against economic and social concerns within and outside of the firm.
Schaltegger et al. (2011, p. 23)	Sustainable Business Model	A business model for sustainability can be defined as supporting voluntary, or mainly voluntary, activities which solve or moderate social and/or environmental problems. By doing so it creates positive effects which can be measured or at least argued for.
Jørgensen & Pedersen (2013, p. 127)	Responsible Business Model	Responsible business models are organizational designs for creating, delivering and capturing value, where the business' reductions of negative externalities and/or promotion of positive externalities is an integrated part of how value is created, delivered and captured.

Table 5: Selected definitions of responsible business models

As Table 5 illustrates, there are several ways of defining a sustainable or responsible business model. Some scholars perceive it as a model where sustainability drives decision making, while others argue that the sustainability concept is driven by voluntary efforts. Jørgensen and Pedersen (2013) explain how responsible business models are organizational designs where the reduction of negative externalities and/or positive externalities is an integrated part of how value is created, delivered and captured. This definition is in line with our understanding of what constitutes a responsible business model, as we have defined responsible business practices as the approach of integrating long-term environmental and societal considerations into a company's business model (cf. Chapter 2). Hence, we define responsible business models as:

Responsible business models are organizational designs where societal and environmental considerations are integrated parts of how value is created, delivered and captured.

Consequently, responsible business models are organizational designs where the use of responsible business practices needs to be integrated in the four pillars of the business model. We explain how responsibility can be integrated into each of the four business model pillars below. However, considering the various barriers for responsible business practices in the retail industry (see Chapter 2), such integration can be challenging in practice. Essentially, a company should strive to be responsible and profitable at the same time (Jørgensen & Pedersen, 2013). Thus, we perceive responsible business models as models where responsible business practices have an effect on each pillar, but are not necessarily fully integrated in each pillar. The model is illustrated in Figure 3.

The Responsible Value Proposition

The Responsible Value Proposition is not solely about proposing value to the customer, but to the society or the environment as well. This can be done by making the product eco-friendly, decomposable or reusable, or changing the production so it follows ethical guidelines. Several companies experience that customers are willing to pay above market price for environmentally responsible products (Henriksen, Bjerre, Bisgaard, Almasi & Damgaard, 2012).

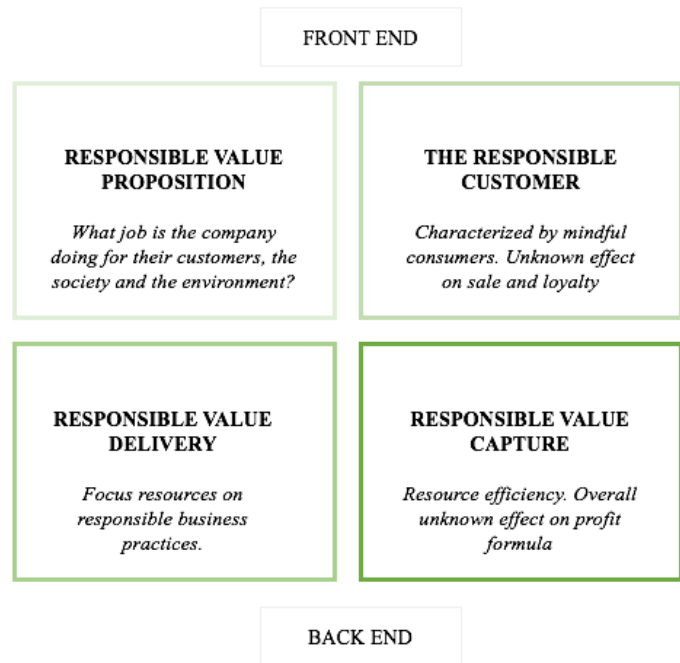


Figure 3: The Responsible Business

Model and its four pillars

The Responsible Customer

Henriksen et al. (2012) argue that approaches to a greener business model can lead to an improved brand, create market potential, and reach new market segments. Many consumers have become aware of their consumption patterns and their impact on society and environment (Pusaksrikit et al., 2013). On the other hand, green products tend to be more expensive than the previous version (Henriksen et al., 2012), which may lead customers to choose other options (Zeithaml, 1988).

The Responsible Value Delivery

The way in which a company delivers value can change substantially when the company places resources on responsible business practices. Furthermore, a responsible company will integrate environmental and societal considerations when selecting production supplies, and manage their value chain and production platforms in a responsible way. The implementation of a responsible business model entails that companies incorporate recycling, material reuse or renewable energy in their daily routines. The use of partnerships in the value delivery can generate increased positive financial, innovative, and sustainable results for the company (Henriksen et al., 2012).

The Responsible Value Capture

A responsible business model can lead to cost reductions, considering the rising prices of the world's resource supply (Henriksen et al., 2012). This implicates that resource efficiency has impact on long-term cost reductions. Additionally, investing in responsible business practices

can lead to competitive advantage, by enhancing reputation and improving customer satisfaction (Cooke & Qiaoling, 2010; Saeidi et al., 2015). Responsible activities can also be strong drivers for innovation, which can lead to higher revenue (Chesbrough, 2010). However, Bocken et al. (2014) argue that it is not always clear how delivering social and environmental value might translate into profit for a firm.

3.2.1 Types of Responsible Business Models in Extant Literature

Based on the different possible configurations of these business models pillars, companies can design different types of business models that differ with regard to the extent and way in which responsible business practices are incorporated into the business model. For example, company A might follow a different path to responsibility than company B.

Reviewed literature provides a limited insight into the different types of responsible business models. According to Lambert (2015), the business model literature lacks a systematic approach to the development of business model classifications. Based on a systematic literature review, we identified 42 academic articles on the topics of business models and sustainability (see Appendix 1: Literature Review). Of these, only Bocken et al. (2014) offer a typology of responsible business models. In their study, Bocken et al. (2014) identify eight archetypes of sustainable business models, as illustrated in Table 6.

Sustainable Business Model Archetypes							
Maximize material and energy efficiency	Create value from waste	Substitute with renewables and natural processes	Deliver functionality rather than ownership	Adopt a stewardship role	Encourage efficiency	Repurpose for society/environment	Develop scale up solutions

Table 6: Bocken et al.'s (2014) archetypes of sustainable business models.

Nevertheless, these archetypes are general presentations of sustainable business models, and might therefore not be applicable on a detailed level for a specific industry. In particular, it is not clear to what extent these archetypes are relevant in the retail industry. One of the studies that we reviewed paid particular attention to business models in the retail industry: Sorescu et al. (2011) conceptualize the *Retail Business Model*. However, this model does not integrate responsible business practices into its framework. Instead, it focuses on integrating customer centricity in the front end of a business model, whereas our understanding is that a retailer's business model should focus on both the front and the back end.

Furthermore, the majority of reviewed studies use business models as a framework for conducting single-case studies, and hereby delivering in-depth analysis of one particular company. Typically, this stream addresses the emergence of responsible business practices in

a particular setting, such as in second hand retailing (e.g., Hvass, 2015), and how various green initiatives affect the pillars of a business model (e.g., Morgan, 2015; Joule, 2011). Another stream is looking at a specific sector, for example hotels (e.g., Mihalič, Žabkar & Cvelbar, 2012), the public sector (e.g., Osborne et al., 2014), pharmaceutical biotechnology (e.g., Carbone, 2003), e-retail (e.g., Niraj & Nageswara, 2015; Edvardsson & Enquist, 2011), food manufacturing (e.g., Hemphill, 2013), and banking (e.g., Stubbs & Cocklin, 2008).

From this brief review, we were not able to locate responsible business model archetypes that are specifically directed towards the retail industry. Hence, in the remainder of this thesis we intend to examine the holistic concept of responsible business practices in the retail industry, considering not only green approaches, but also societal challenges. Consequently, we try not to neglect the bigger picture of sustainability (Blaga, 2013).

3.3 Responsibility as Business Model Innovation

Adopting responsible business practices as part of the company's overall strategy may require a fundamental shift in the underlying business model (e.g., Stubbs & Cocklin, 2008; Jørgensen & Pedersen, 2013, Bocken et al., 2014; Blaga, 2013). Hereby, this process can lead to the emergence of a new and innovative business model. Business model innovation is often assumed to be a critical capability for the business to become sustainable (e.g., Schaltegger, Lüdeke-Freund & Hansen, 2012).

There are various definitions of what constitutes a sustainable or responsible innovation. Boons et al. (2013), for example, argue that sustainable innovation is innovation that improves sustainability performance. According to Blaga (2013), sustainable business model innovation involves that companies must rethink their activities, redesign their processes, use new materials, and introduce efficient managerial systems with the purpose of creating a sustainable organization. Jørgensen and Pedersen (2013) explain that responsible business model innovation are changes in the way value is created, delivered and captured, in particular, changes with the objective to reduce negative externalities or increase positive externalities. Hence, a common component in literature is that sustainable innovation involves changes in organizational designs that improves sustainability performance. In line with this, and our definition of a responsible business model, we define responsible business model innovation as follows:

Responsible business model innovation are changes in the creation, delivery and capturing of value that can lead to novel ways of implementing environmental and societal considerations.

Consequently, a responsible business model is conceptualized as a model that changes the way value is created, delivered or captured, in order to improve or implement responsible business practices.

The business model innovation process has been investigated by several scholars (e.g., Amit & Zott, 2012; Chesbrough, 2007; Johnson, 2010). By reviewing the literature, we also found that sustainable business model innovation is an emerging research field. Scholars address the emergence of sustainable business model innovation from different perspectives. One stream is typically focusing on new solutions for enterprises, that is, developing new business model ideas with a focus on sustainability (e.g., Girotra & Netessine, 2013; Eppler, et al., 2011). Another stream investigates the triggers for sustainable business model innovation (e.g., Hansen, Lüdeke-Freund, Quan & West, 2013). A third stream, investigates the common barriers and threats enterprises must overcome during a change for sustainability (e.g., Laukkanen & Patala, 2014; Pedersen & Andersen, 2015).

However, as Heyes (2014) confirms, the literature lacks a common understanding of business model innovation for sustainability. Along similar lines, Frankenberger et al. (2013) explain how scholars have particularly focused on the need for business model innovation, but have not explained *how* the innovation should be carried out in practice. In the following, we therefore propose how a responsible business model innovation can evolve in practice.

3.3.1 Shifting Towards Responsible Business Models - A Process View

In our thesis, we follow the logic of a five-stage model presenting the business model innovation process (cf. Moe, Singh & Saebi, 2015). Following systematic stages can lead to a more controlled transformation process, and increase the possibility for long-term success. In general, literature on business model innovation focuses on three or four stages (e.g., Chesbrough 2010; Frankenberger et al., 2013). However, in line with Moe et al (2015), we believe that a fifth stage stressing continuous business model innovation is needed to lead to a responsible business, as responsible business practices for companies and retailers are in continuous development. The stages are partly modified, and represented in Table 7.

Trigger	Business Model innovation in practice			Mindset
1.	2.	3.	4.	5.
Initiation	Ideation	Integration	Implementation	Continuous BMI
Why and when?	Reframing beliefs	Circular or systematic approach	Lead critical activities for implementation	Transform ideas into long-term business plans

Table 7 The 5 Stages of a Business Model Innovation Process

Initiation

The first stage concerns the various drivers and motivational factors that initiate the business model innovation. Lindgardt & Ayers (2014) argue that most business models age quickly, and must therefore undergo business model innovation. Consequently, an external pressure is often the factor which triggers the initiation for business model innovation (Johnson, 2010). Identification of change drivers is central in order for companies to gain an understanding about the need for change (e.g., Johnson et al., 2008; Moe et al., 2015; Frankenberger et al., 2013).

Ideation

The focus in an ideation process is to generate specific ideas for new business models, and investigate how opportunities located in the initiation stage can be transformed into tangible business plans (Frankenberger et al., 2013). Most business models are characterized by strong values, traditions, cultures and structural designs (Chesbrough, 2010). Hence, the company must reframe traditional perceptions on market, business and competition when trying to lead an innovative change (Jong & Dijk, 2015).

Integration

During the integration stage businesses choose an integration approach. A *systematic approach* will lead practitioners through the process with goals and intermediate goals (e.g., Santos et al., 2009). In contrast, a *circular approach* sets an overall vision, and lets the process run itself in order to capture the most value along the way (e.g., Reuver, Bouwman & Haaker, 2013; Dmitriev, Simmons, Truong, Palmer & Scheckenberg, 2014).

Implementation

In the stage concerning implementation, companies will need to overcome internal resistance for change, manage the chosen integration approach, and manage the risks connected to such a process (e.g., Euchner & Ganguly, 2014; Evan & Johnson, 2013; Achtenhagen, Meling & Naldi, 2013). The framework locates risk analysis, management structure, cultural changes and organizational changes as important dimensions to successfully transform the business model (Moe et al., 2015; Frankenberger et al., 2013).

Continuous Business Model Innovation

A mindset of continuous business model innovation can be of crucial importance to lead an innovative business model (Chesbrough, 2010; Giesen, Riddleberger, Christner & Bell, 2010; Mitchell & Coles; 2004; Doz & Kosonen, 2010). Here, companies should place resources into transforming ideas into long-term business plans.

In the following, we will explore different types of responsible business practices in the retail industry, and investigate how companies can shift towards more responsible business models, using the business model innovation framework described above. However, before we do this, we explain the methodology and research design for the empirical part of the thesis.

4. Methodology

In the following, we first explain the purpose of the thesis and why we have chosen a qualitative approach with an exploratory design. Further, we explain the main steps of the thesis: Literature review with a focus on identifying gaps, secondary data collection based on online research, and a multiple-case study with in-depth interviews. Lastly, we evaluate the research method.

4.1 Purpose of the Thesis and Choice of Methodology

The purpose of our thesis is twofold. Firstly, to generate *different types of responsible business models in the retail industry*. This has been done by examining and categorizing relevant and emerging industry practices. Secondly, to investigate *how companies can shift towards more responsible business models*. By using a step-by-step framework for business model innovation, we will explain how retailers can shift their business models. The reason for why we first generate types of responsible business models, is to provide practical examples that can serve as end goals.

In order to research these subjects, we needed a deeper understanding of responsible business models, business model innovation, and responsible business practices in the retail industry. Consequently, the choice of methodology was a qualitative approach, which is suitable because the purpose of qualitative research is to understand and gain insight (Ghauri & Grønhaug, 2010). Additionally, the nature of our research question implies that a qualitative approach, opposed to a quantitative, is the suitable choice. *What are the types of, and how can retailers shift,* are questions that need discussion and reflection, in opposed to quantified

measures. Hence, it was appropriate to lead a qualitative approach with regards to *how* responsible business practices are integrated in business models.

Further, we used an exploratory design. The multidimensional concept of responsible business practices, and its connection to business model innovation is broad. Additionally, it is subject to contemporary research in several topics in strategy and management literature. We chose to investigate how these topics evolve in the retail industry, which is an industry with an increasing demand for tools and frameworks for responsible business practices. An exploratory design is flexible and adaptable, but can also generate large amount of information with a broad focus. However, an exploratory design allowed us to understand the specifics for the retail industry (Guest, Namey and Mitchell, 2013), particularly how the responsible practices are integrated in business models. Consequently, our findings can contribute to an increased understanding of other similar cases and contexts. Our types of responsible business models in the retail industry, is a specific contribution to an increased general knowledge in this field.

4.2 The Thesis' Main Steps

The study was conducted by going through three steps, as illustrated in Figure 4. The first step involved reviewing the literature, as seen in Chapter 2 and 3. The second step explains how we explored the various responsible business practices that are relevant and emerging in the retail industry, in order to generate different types of responsible business models. This work is predominantly based on doing online research and collecting secondary data from 72 retailers. The third step is conducting a multiple-case study and collecting primary data from four in-depth interviews. These interviews helped us understand the processes and challenges retailers encounter, when shifting towards a responsible business model.

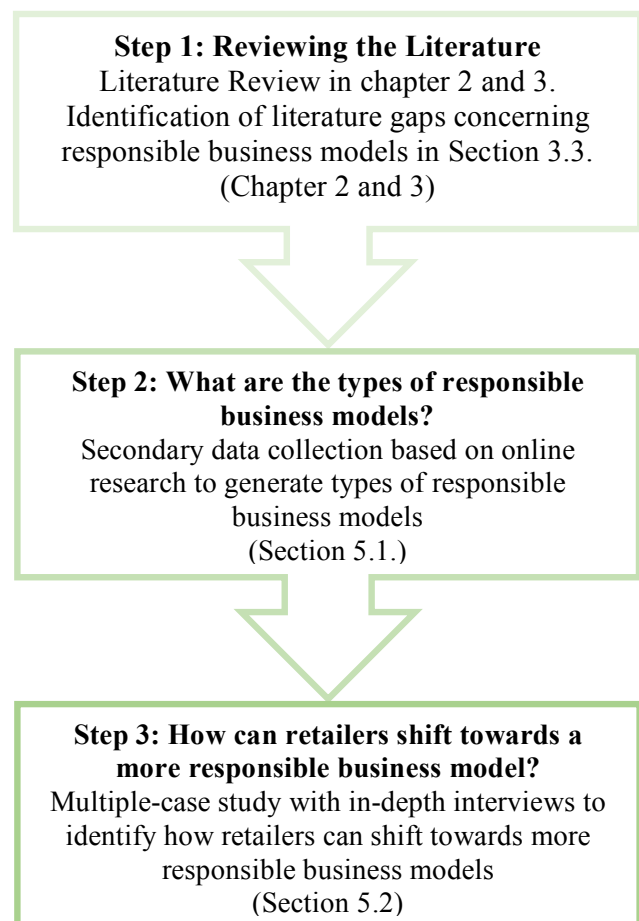


Figure 4: The main steps of the thesis

Step 1: Literature Review

In order to review existing literature, we searched the *EBSCO Business Source Complete* database for academic articles. We needed to find existing literature about *business models* and *business model innovation* in the context of *CSR* and *sustainability*, as we are using these concepts in our thesis. In order to find relevant gaps in existing literature, searches were conducted in the stages provided in Appendix 1: Literature Review.

Quotations marks were used in order to exclude irrelevant mentioning based on grammatical coincidence. For example, one of the searches were “sustainable business models” in title, abstract or keywords (see Appendix 1: Literature Review). The various search criteria yielded 37 results. To identify relevant articles, the topics of business model, sustainable business model and business model innovation needed to be dealt with in a meaningful way. Hence, articles were eliminated if they did not have significant development of these concepts. Articles that barely mentioned the different terms, but did not further explain or significantly elaborate the concepts, were also eliminated. The number of articles which were excluded were 16. The remaining articles, which were 21, were reviewed for theoretical and empirical contributions. In addition to the searches on EBSCO database, we conducted same type of searches in the database *Science Direct*, and found 21 relevant articles. As a result, our final sample consisted of 42 articles on the topics business model, sustainable business model and business model innovation.

Through reading these articles, we found that these subjects are emerging research fields, as most of the studies are conducted during recent years. By contrasting scholarly articles in a table, we were able to uncover gaps in the literature. One stream has thoroughly analyzed one firm or an industry, whereas another stream has a broader and conceptual approach.

Step 2: Generating Types of Responsible Business Models Based on Online Research

In order to generate types of responsible business models in the retail industry, we aimed to collect data from a variety of retailers, which resulted in a sample of $n = 72$. By analyzing several retailers, we were able to compare, uncover the most common responsible business practices, and find emerging trends. On the other hand, by using secondary data we might not have captured all desired information, for example, in the case of unpublished information that could have been relevant for our thesis.

To generate types of responsible business models, we found relevant samples for the study, that is, retailers who are implementing responsible business practices. In addition, we

examined the various types of responsible business practices in each sample. We identified whether the practices had a focus on environmental or societal concerns, and how the practices affected the pillars of the business model. This was necessary in order to categorize practices, find common characteristics, and further, to generate types of responsible business models.

According to Lambert (2015), the business model literature lacks a systematic approach to the development of business model classifications, and so proposes a design of classification schemes with systematic steps that lead to a classification outcome. Hence, we attempted to lead such a systematic approach when generating types of responsible business models, as shown in Table 8.

Phase	Action	Explanation
1	Searching for relevant samples	Example of sources: <i>Top 10 sustainable retailers</i> , <i>RILA report</i>
2	Further examination of relevant retailers	On retailers' websites, sustainability pages, and annual reports
3	Categorizing responsible business practices according to focus	Environmental, for example <i>Recycling</i> , and/or Societal, for example <i>Inclusive recruitment</i>
4	Categorizing practices according to responsible business model pillar	According to effects on Value Proposition, The Customer, Value Delivery and Value Creation
5	Identification and categorization of similar practices	Coding the practices with similar notations, for example <i>Recycling</i>
6	Examining general concepts that are repeatedly found in the practices	Develop a general understanding of the common practices. For example, "Recycling" is frequently used and therefore leads to a concept
7	Generating types of responsible business models based on the concepts	The concepts are grouped according to their focus. For example, environmental focus and <i>Recycling</i> leads to the model <i>The Green Enthusiast</i>

Table 8: Phases in generating types of responsible business models

Phase 1 started the search for retailers which had received attention for their responsible practices. The searches were primarily open, by searching for sources such as *Top Sustainable Retailers*, *WTO Top 100 Sustainable Companies*, and *Green Retailing*. Such sources led us to rankings of responsible companies, and several articles and reports concerning innovative responsible practices. Consequently, this made it possible to select relevant samples for the study. The retailers identified through such sources, were brought to a more detailed search in phase 2. We visited retailers' websites and read annual reports, which helped us identify retailers' main responsible business practices. The retailers and their responsible business practices were listed in individual tables.

In phase 3, the practices were divided according to *environmental* and *societal* focus. The division was based on our own understanding of the practices' main objective. For

example, Nike's work with environmental new product development (ENPD) was understood to have an environmental objective, whereas Nike's work concerning equal gender rights was understood to have a societal objective (see Appendix 2: Example Company: Nike).

Further, in phase 4, the responsible practices were analyzed according to their effect on the *business model pillars*: Value Proposition, The Customer, Value Delivery and Value Capture. To exemplify, Nike's practice of using ENPD concerns the *value proposed* to their *customers*. However, as ENPD also affects production and the use of resources throughout the supply chain, ENPD shapes Nike's *value delivery*. The use of less resources in new products can also lead to cost reductions and, consequently, affect the *value capture* (see Appendix 2: Example Company: Nike)

When all 72 retailers' responsible business practices had been analyzed, according to dimensions and pillars, we further identified and categorized similar practices across the sample of retailers in phase 5. We coded the practices with similar notations, using notations such as *recycling*, *resource efficiency* and *partnerships*. Phase 6 involved the examination of general concepts which were repeatedly found throughout the sample. We developed a general understanding of the common practices. To exemplify, *recycling* and *partnerships* were frequently found, and therefore led to a concept.

In phase 7, the models were grouped according to responsible business practices. Seeing that we had 72 companies and the practices were similar, but not identical, we had to discuss which types of practices that could explain the business models we wanted to move forward with. For example, we started with several *green practices*, which lead us to nine models in total. We therefore started to base the business models on mindsets. The models were now presented by *several* responsible business practices and *one* mindset, or focal point. For example, several green practices, such as *recycling* and *renewable energy*, led to the model *The Green Enthusiast*.

In the end, we generated six models. The models are summarized by an overall table, where we have located practices which fit the different models. The table of summarization can be found in Appendix 2: Online Research. It presents the total number of retailers analyzed in the thesis, and is actively used throughout the analysis in Section 5.1. A sufficient number of retailers was needed for generalization. Hence, we decided that a sample of 72 retailers was satisfactory, given the limited time frame of the thesis.

Step 3: Deriving a Business Model Innovation Framework Based on In-Depth Interviews

In-depth interviews were conducted in order to examine how companies can shift towards more responsible business models. According to Ghauri and Grønhaug (2010), in-depth interviews are often considered as the best data collection method. An in-depth interview is a conversation designed to elicit depth on a topic of interest (Guest, Namey & Mitchell, 2013). It was therefore assumed that relevant information concerning the implementation of responsible business models was going to be found during the interviews. As interviewees should be selected for their unique properties (Guest, Namey & Mitchell, 2013), we chose respondents with considerable insight into our research field. We examined four different organizations, and consequently led a multiple-case study (Yin, 2003). By examining more than one case, our findings can seem more compelling to external users, and the overall study can be regarded as more robust (Herriott & Firestone, 1983, referred in Yin, 2003).

To uncover the challenges and processes related to shifting towards more responsible business models, we conducted in-depth interviews with the CSR and sustainability managers in three companies: Stormberg, H&M and IKEA. Information on events or experience can only be gathered by asking people who have been involved, have observed or have an insight into a particular event (Ghauri & Grønhaug, 2005). Consequently, by conducting in-depth interviews with these managers we received primary data from a practical perspective, and a correct description of how responsible business practices transform a business model. The three retailers were selected based on the online research, and stood out as relevant samples for in-depth interviews considering their extensive implementation of responsible business practices. Moreover, each of these retailers have gained external recognition and attention, both in the shape of honorary awards and critical perspectives in the media. Our aim was to examine retailers with different character, in order to contrast and compare. H&M and IKEA were relevant samples because they are large, international retailers. Stormberg, on the other hand, is national and smaller in size. Additionally, we conducted an in-depth interview with the Environment and CSR Responsible at Virke, Camilla Gramstad. Virke is a Norwegian trade organization, with several retailers as members. The organization has had a clear focus on environment and CSR during recent years. Hence, Gramstad was able to give us insight into the different drivers, barriers and trends in the retail industry. Table 9 provides an overview of the chosen interviewees.

Interviewee	Reason for sample choice	Contribution
Stormberg	Stormberg is one of Norway's most endorsed retailers on corporate responsibility. The retailer has gained several acknowledgements, from media and in the form of awards.	Stormberg contributed with knowledge about triggers and initiation for change.
H&M	H&M is one of the world's most well-known fashion retailers. Consequently, we could gain understanding on how customer attitudes can change a brand and a retailer's responsible practices.	H&M was able to contribute with a holistic point of view, as the company has had a holistic approach to the implementation of responsible business practices.
IKEA	IKEA is one of the world's largest furniture shops, and was interesting to investigate as IKEA is in a different sector than the other chosen retailers. Additionally, the retailer is widely recognized for its extensive work with sustainability.	The retailer has implemented its responsible business model according to its own understanding and business concept, rather than external demands.
Virke	Gramstad could provide academic insights and a broader perspective of the retail industry.	Gramstad contributed with insights concerning the need for responsible business practices, current trends, challenges, and the cyclical change for many retailers.

Table 9: Reasons for sample choice

We conducted semi-structured interviews, in order to give the participants the ability to talk more freely than they could have done in a structured interview, where fixed response categories are emphasized (Ghuri & Grønhaug, 2005). Fylan (2005) states that semi-structured interviews are conversations in which the interviewer has a set of questions to ask and an idea of which topics to be covered. However, the conversation is free to vary, and will most likely change between interviewees. Hence, the semi-structured approach gave us the possibility to further examine relevant aspects as they occurred. An interview guide with predetermined questions was helpful for both the interviewers and the respondents. The guide consisted of two main parts: *Motivation* and *business model innovation*. *Motivation* concerned the drivers for implementing responsible business practices. *Business Model Innovation* concerned how these activities were led out in practice, with a focus on critical challenges and capabilities.

Before the initial interview, some practical agreements and understandings were set. Firstly, we referred to our email explaining the objective and general content of our thesis. Secondly, recordings, anonymity and securing of the data were explained in detail, and approved, by all the interviewees. The questions were primarily formulated as open questions, for example *What do you think*, *Could you exemplify* and *How does your company*. All of the interviews started with the interviewees explaining their understanding of responsible business practices, and ended in an open dialogue where the participants could add information if they

felt it was needed. Face-to-face interviews were the preferred method. However, as this was not always possible due to geographical barriers, only two interviews were face-to-face, while the others were conducted over telephone and Skype. The interviews were recorded by using a tape recorder. During the interviews both interviewers asked questions, which we had distributed in advance. We also shared the responsibility of following up interesting leads and information.

Role in the study	Profession	Company	Type of Organization	Type of Interview	Length	Date
Practitioner	CR Responsible	Stormberg	Retailer	In-depth Telephone	30 min	September 16, 2015
Practitioner	Sustainability Manager	H&M	Retailer	In-depth Face to Face	70 min	September 23, 2015
Academic	Environmental and CSR Responsible	Virke	Trade organization	In-depth Skype	40 min	November 3, 2015
Practitioner	Sustainability Manager	IKEA	Retailer	In-depth Face to Face	90 min	November 11, 2015

Table 10: Overview of the interviewees

Our experience from the interviews was that all the interviewees understood the interview's objective and that they provided us with honest and valuable answers. We also experienced that the interviewees were comfortable with the situation and had no objection towards being interviewed. With the permission to record the interviews we were further able to write transcripts. The transcripts were sent to the interviewees, which enabled them to review if terms and concepts had been interpreted and reported correctly. The contributions from the interviews are used in Section 5.2 of this thesis, and are analyzed and coded according to the five stages of the framework for business model innovation: (1) Initiation, (2) Ideation, (3) Integration, (4) Implementation, and (5) Continuous business model innovation. We have analyzed the contributions based on our own understanding of the interviews and the framework. The findings from the interviews can be found in Appendix 3: Findings From the In-depth Interviews.

4.3 Evaluation of the Research Method

In the following, the procedures for ensuring the study's trustworthiness is examined. This is done by analyzing the validity, generalizability and reliability of the research (Robson, 2002).

Validity

Valid findings indicate that our presented findings are *really* what they appear to be about (Robson, 2002). A valid case study report will have an analysis based on multiple sources, where the analysis follows a description of themes and assertions (Robson, 2002).

To attain *construct validity*, more than 70 companies were examined as a basis for the initial analysis. For the in-depth interviews, more than one person was interviewed: Three practitioners and one academic expert. Additionally, some of the questions that were asked during these interviews were identical, which enabled us to obtain relevant information about current topics from several sources.

To secure *descriptive validity*, the accuracy and completeness of the data was secured. The interviews were transcribed and compared to notes taken by one of the interviewers, to secure further accuracy. *Validity of interpretation* was further obtained by basing our research on a tentative responsible business model, where the models were expected to evolve into several types during the study and findings. We therefore assume that our background literature did not create a cognitive bias when conducting the research.

We are, however, open to the possibility of a subjective bias present in the different interviews. Previous to the interviews conducted with IKEA, Virke and H&M, we had learned more about the interviewees' roles in the companies, and the companies' responsible activities. This made us well prepared for these interviews. During our interview with Stormberg, which was the first interview, we had less knowledge, and this interview therefore took a more exploratory form. We also realize that there might be some cognitive bias, considering that we had some presumptions about our findings in advance. As a consequence, we may have subconsciously searched for confirmation on these.

Generalizability

Generalizability explains to what degree our findings are applicable to other situations (Robson, 2002). For example, for the retail industry and retailers in general, or for other industries. Considering the extent of the sample derived from online research, we can conclude that it is to some degree a generalization for the retail industry. However, our choice of interviewees may threaten the degree of generalizability, considering that the managers have similar roles in each of their companies. When studying business model innovation, other roles in the company should have been taken into account as well. On the other hand, we conducted an interview with the Norwegian trade organization Virke, to gain overview of the industry as a whole. This can strengthen the thesis' generalizability.

Reliability

According to Robson (2002), reliability concerns the consistency or stability of a measure.

To ensure reliability, we have made use of a case study protocol. This is an important route towards increasing the reliability of case study research, and is intended to guide the investigator in carrying out the data collection (Yin, 2003; Robson, 2002). We kept a full record of our activities while carrying out the study, including raw data, research journal, details on coding and data analysis. Considering that the research is based on two students, this also increases the sense of objectiveness when analyzing the data, and further strengthens the thesis' reliability.

On the other hand, if the research is to be conducted during a different time period, it might be possible to find a change in trends, for example new emerging types of responsible business practices. Consequently, it might be possible to generate other types of responsible business models. These are factors that can weaken the thesis' reliability.

The following Chapter presents our analysis and findings. In Section 5.1 we use the findings from the secondary data collection to generate types of responsible business models. In Section 5.2, we use the findings from the multiple-case study in order to identify how retailers can shift towards more responsible business models.

5. Analysis and Findings

In this Chapter, we present our analysis and findings. We first analyze our findings from the data collection of the 72 retailers. The findings generate six different types of responsible business models, which provide a comprehensive overview of responsible business practices that are relevant and emerging in the retail industry. Secondly, we analyze our findings from the four in-depth interviews and derive a step-by-step framework for business model innovation. The framework aims to give an overview of how companies can shift towards more responsible business models, and gives an insight into the challenges and processes related to the shift.

5.1 The Emerging Types of Responsible Business Models in the Retail Industry

The six types of responsible business models are constructed by categorizing different responsible business practices. Examples and references are provided in Appendix 2: Online

Research. In the following, we explain how the models differ in terms of the extent to which environmental and societal goals are integrated into the business models. Further, we analyze how the four pillars of the business model are shaped by responsible business practices. We have given the models creative names, as we believe this can be a more fun way of engaging retailers: The Reinventor, the Green Enthusiast, the Teacher, the Team Player, the Supply Chain Manager, and the Problem Solver. The models are structured according to the four pillars of the business model: The Value Proposition, The Customer, the Value Delivery, and the Value Creation (cf. Chapter 3). Figure 5 provides an overview of the generated models.







The Reinventor	The Green Enthusiast	The Teacher	The Team Player	The Supply Chain Manager	The Problem Solver
					
Environmental	Environmental	Environmental and Societal	Environmental and Societal	Societal	Societal
Making old new again through reuse and recycle.	Reducing the environmental footprint in the whole value chain.	Increasing knowledge about environmental and societal issues.	Creating a responsible retail industry through collaboration.	Solving societal challenges throughout the supply chain.	Solving a societal problem.

Figure 5: Overview of the responsible business models

The Reinventor

The Reinventor is generated as a model because we identified an increasing number of retailers that are attempting to keep resources in circulation. We found that several retailers have a sustainable approach to the use of materials. The Reinventor makes *old* products into *new* products. From the companies acting as Reinventors, we further identified two groupings. The first group consists of second hand and retro stores. These retailers are examples of companies that are founded on the idea of reselling products that are possible to reuse, and are attempting to turn second hand use into a trend among consumers. The second group consists of large and well-established retailers that are incorporating the idea of reusing and recycling in their already existing business models. Hence, the Reinventor is a model with an environmental focus due to the emphasis on resource scarcity.

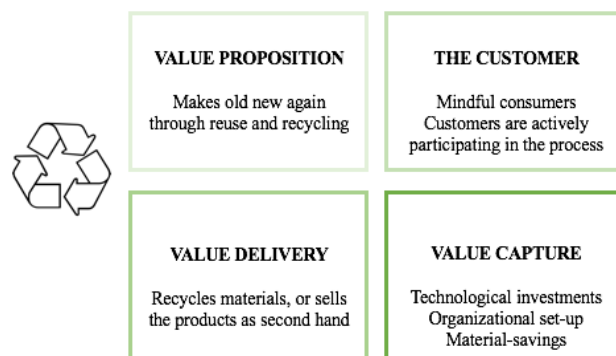


Figure 6: The Reinventor

The Responsible Value Proposition

The Reinventor aims to use resources more than once, in order to break the *use-and-discard* cycle that characterizes societies today. The objective is to promote the circular economy, which involves reducing over-consumption, and promoting reuse and recycling. A central practice is therefore reinventing products made of already used resources, which can lead to reduced negative impact on the environment. Fretex (n.d.), as a second hand store, actively promotes mindful consumption by offering second hand products for a reasonable price, and proposes value by contributing to a better environment through reuse and recycling. Other larger and international companies have started to adopt the Reinventor later in the company's life cycle. H&M, for example, is proposing value with their garment collection program: *Closing the Loop*. This is targeted towards mindful consumers by providing fashion for conscious customers (H&M, n.d -a).

The Responsible Customer

Instead of letting products go to waste, consumers must deliver their old and unwanted clothes to the Reinventors. As implied by the term, second hand stores do not invest in production of own products, they resell products which are possible to reuse. Second hand stores are therefore dependent on consumers contributing to their assortment size. Fretex (n.d.) has facilitated several collection stations, in order to make it possible for consumers to deliver their old products. Established retailers focusing on recycling materials into new products, are equally dependent on customers' contribution. Marks & Spencer's (M&S, n.d.-a) *Shwopping program* is a system encouraging customers to recycle unwanted clothes. The process is made available for customers at every M&S-outlet, where customers can deliver old clothes. In addition, when deliveries are made to customers' home, customers can give unwanted clothes to the delivery team (M&S, n.d.-a). Consequently, this makes the process even more convenient for the customer.

Retailers must motivate their customers to be a part of the recycling process. Some retailers are encouraging consumers to deliver back old products by offering credit or bonus points. Lack of motivation among the consumers, may result in a business model that does not succeed in practice. The retailer must therefore find creative ways of creating incentives for the customer, for example by using such bonus systems.

The Responsible Value Delivery

Systems that aim to make old products into new ones, are often called *closed loop recycling systems*. To be able to create value from waste, consumers, recyclers and manufacturers must collaborate. In order for second hand stores to deliver value, they have developed their key

activities with the objective of collecting and reselling second hand products. Key activities are an overall process for taking in the products, evaluating the items' value, and reselling them. As a consequence, the business model contributes in keeping resources in circulation, instead of letting them go to waste.

H&M launched *Closing the Loop* as an integrated part of their business model. Value is delivered by turning old clothes into new garments, and therefore avoids that fashion goes to waste (H&M, n.d.-b). In the process of recycling products, where the aim is to turn the products into new materials or fabrics, there is a need for a good and efficient recycling system. In order to turn old clothing into new materials, retailers need to have the required technology. Hence, investments for research and development activities might be necessary. The recovery of such materials from the recycling process is often also experimented with, in order to increase the quanta of recycled materials in new products.

The Responsible Value Capture

The Reinventor's revenue stream is clearly shaped according to the required resources for facilitating this model, by delegating resources for organizational set-ups. These set-ups can be distribution, facilitation of recycling and collaboration with customers, to mention some examples. For the Reinventors which also recycle products into new fabrics or materials, large amounts of resources are delegated to new technologies and research and development processes. However, the Reinventor may also experience cost-savings due to saved materials.

The Green Enthusiast

The Green Enthusiast is generated as a model because environmental considerations are to an increased degree influencing the retail industry. This is evident due to the considerable amount of retailers that are implementing green practices in their business models. From the companies identified as a Green Enthusiast, we further generated two groupings. The first group consists of green start-ups, which are companies founded on the idea of being *green* in order to tackle environmental challenges. The second group consists of well-established companies that are implementing greener operations later in the company's life cycle. Many of these companies

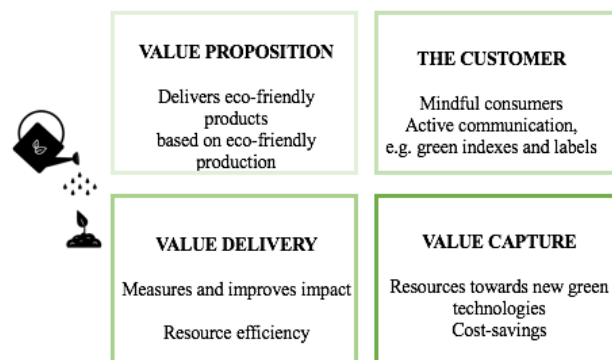


Figure 7: The Green Enthusiast

are large, international corporations with a goal to be first movers with innovative practices. Hence, this is a model with a clear focus on environmental issues, and companies adopting this model are committed to reduce their environmental footprint.

The Responsible Value Proposition

Retailers are proposing value by reassuring use of eco-friendly operations, and thus offering eco-friendly products. A clear focus on sustainable practices is present, in order to shape a sustainable future. The Green Depot is an example of a company which can be identified as a green start-up. They propose green products and materials for mindful consumers. Products must meet standards for health, durability, performance, life cycle, natural resource conservation and energy conservation (Green Depot, n.d.). An example of an established Green Enthusiast is Levi Strauss & Co. They propose that “sustainability is sewn into the fabric of everything we do – from how our clothing is made to the work we do to protect our planet” (Levi Strauss & Co, n.d.-a). *Levi's Waste<Less* offers products that are made of 20 percent post-consumer waste, specifically recycled plastic bottles, using three to eight recycled plastic bottles on each pair of jeans (Levi Strauss & Co, n.d.-b).

The Responsible Customer

Green Enthusiasts communicate openly with their customers about their green operations and goals. Such transparent communication strategies are crucial, in order for customers to follow the retailer's development on green practices. On H&M's websites customers can browse the page *Provide conscious fashion to conscious consumers* (H&M, n.d.-a), where they can learn about H&M's main goals for material use, and examine whether or not the goals are on track. Additionally, in order to communicate and follow up on environmental goals, many retailers are using indexes. Timberland, for example, rates its products on a scale from zero to ten, using a system created to compare the environmental footprint of the products (Timberland, n.d.). To encourage consumers to become aware of mindful consumption, companies are also increasing the number of green products in their assortment. IKEA (2014) is attempting to expand their assortment of green products, by selling solar panels and LED-lights. In this way, consumers can make environmentally friendly purchases.

The Responsible Value Delivery

This type of business model delivers value by offering a net positive impact on the environment. In order to lead a holistic approach, companies are attempting to affect the entire value chain with their green business practices. Energy efficiency, reducing emissions,

resource efficiency, and green innovational processes are important practices in order to deliver value.

A common practice is recycling and limiting waste. Kesko (2014), for example, manages to recycle 99 % of its total waste. In addition, the company is constantly improving its logistic system in order to throw less food. Another prominent practice is environmental new product development (ENPD). Nike (n.d.) defines *Environmentally Preferred Materials* as materials that have significantly lower impact on the environment in one or more categories of chemistry, energy, water or waste. For example, two billion water bottles are recycled into new clothing, and 86 % of Nike-branded products contain at least five per cent organic cotton (Nike, n.d.). These ways of developing new products are contributing in creating the least environmentally harmful product.

Nespresso (n.d.) attempts to impact suppliers towards a green direction, with the program *The Positive Cup*. The program manages sustainability in production countries, and learns farmers to become more sustainable. For instance, by managing water use, controlling soil fertility and limiting chemical input in the production. Consequently, Nespresso is attempting to influence the production side of their value chain, in order to deliver eco-friendlier products. In addition, focusing on renewable energy is important in order to reduce retailers' environmental footprint. Apple is an example of a company that is running all of its U.S. operations on 100 % renewable energy. Since 2011, Apple has reduced carbon emissions from its global corporate facilities, data centers and retail stores by 48 % (RILA, 2015b).

The Responsible Value Capture

The Green Enthusiast allocates large amounts of resources and investments towards new technologies that can improve their environmental impact even further. Research and development processes, teams focusing on ENPD, creating value from waste, and investing in renewable energy, can increase retailers' costs. Being a Green Enthusiast requires a considerable amount of resources and investments in sustainable technology.

Most Green Enthusiast are identified as large and well-established brands. Such companies are able to use a considerable amount of resources in order to build a green company. These established companies aim to be first movers in this field, in order to create a long-term competitive advantage. Considering that green practices are resource demanding, the Green Enthusiast will often perceive these practices as long-term investments rather than costs. Furthermore, measures taken for improving environmental impact often leads to cost-

reductions, as many energy sources and production inputs are increasing in price. Consequently, such choices can also affect the profit formula.

The Teacher

The Teacher is generated as a model because a considerable amount of retailers are focusing on raising awareness and knowledge about environmental and societal issues. Retailers are encouraging stakeholders to become more responsible, particularly consumers and employees. We will therefore primarily focus on these two stakeholder groups in the description of this model. The Teacher has both an environmental and a societal focus, considering that the model actively increases knowledge concerning both issues.

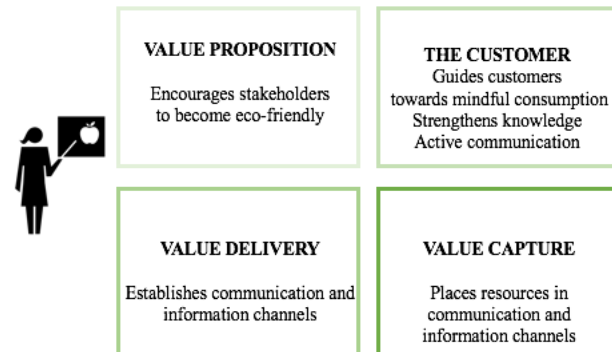


Figure 8: The Teacher

The Responsible Value Proposition

Retailers are proposing value by encouraging stakeholders to become more responsible, and are attempting to make more people and the society as a whole aware of the importance of environmental and societal concerns. This is done by impacting attitudes, mindsets, purchasing patterns and behavior among stakeholders. Encouragement can happen through guides on how to become eco-friendlier and take eco-friendly choices. The Teacher actively attempts to increase its responsible impact by affecting customers' knowledge. An increased number of consumers are becoming mindful in their purchasing patterns, and actively seeking for information that can help them in their quest. Thus, the Teacher proposes creative and engaging ways of increasing consumers' knowledge.

The Responsible Customer

Retailers can impact customers' actions in the pre- and post-consumption stages. However, changing attitudes, mindsets and behaviors among stakeholders, can be challenging in the short-run. In order to guide consumers toward mindful consumption it is crucial that the retailer delivers efficient information, and that the consumer perceives the information correctly. Providing comprehensive informational guides on retailers' websites is a central part of how consumers are encouraged to become more responsible individuals.

Kesko's (2014) *Energy Expert* is a service that helps consumers save energy in their households and provides information about energy efficiency. Some retailers have established

blogs that function as a communication channel where important and contemporary issues can be discussed, and consumers can comment and ask critical questions to the retailers. Opening such channels can contribute in engaging consumers in environmental and societal debates, and emphasize the importance of becoming more responsible. This is also an efficient way of establishing transparency. H&M (n.d.-c) is an example of a retailer that has established a blog dedicated solely to discuss sustainability and CSR issues: *H&M answers*.

Walmart (n.d.) directs its customers toward making eco-friendly purchasing choices at their warehouses. Showing customers which products in their assortment that score best in their *Sustainability Index*, encourages customers to make responsible choices. Other ways of encouraging an eco-friendly lifestyle is by labelling products with informative messages. These can be short messages that give a simple tip on how to take care of a product in an eco-friendly matter. In this way, the retailer is attempting to impact what happens in the post-consumption phase. Levi Strauss & Co's (n.d.-c) *A care tag for the planet*, encourages customers to wash less, wash in cold, line dry, and donate products when no longer needed. Additionally, REI (2014) has developed the *How2Recycle* label, which is a standardized labeling system that communicates instructions for consumers on how to recycle packaging.

The Responsible Value Delivery

In order to deliver on the proposed value, it becomes important that environmental and societal considerations characterize all sections of a business. Considering that a retailer has direct contact with the customer, their front personnel is an important communication tool. It is therefore important to ensure that employees have sufficient knowledge about how and why the company should implement responsible business practices. Many retailers are using considerable resources in educating and training employees on environmental and societal issues.

Canon (2015) has a strong focus on education and training, and has adopted a two-pronged approach to environmental education. *Awareness training* aims to impart basic environmental knowledge to all employees. *Specialized training*, aims to develop key personnel in environmental assurance activities, with specialized knowledge concerning environmental management. Further, retailers are also adopting practices in order to encourage everyone in the company to become eco-friendlier individuals. REI (2014), for instance, has established commute benefits for employees. This initiative can encourage employees to take eco-friendlier choices by using public transportation.

The Responsible Value Capture

The Teacher is placing resources in establishing efficient communication channels, or adopting various ways of sending messages to consumers and employees. However, changing attitudes and behaviors can be a long-term process. Hence, it might be necessary placing sufficient resources in establishing competence, for example in a professional or a team in the field.

The Team Player

The Team Player was generated as a model because we found that an increasing number of retailers are facing industrial challenges in collaboration. Team players understand that the whole retail industry must work together, in order to tackle environmental and societal issues. The *Retail Industry Leaders Association*, the *Sustainable Apparel Coalition* and the *Ethical Trading Initiative*

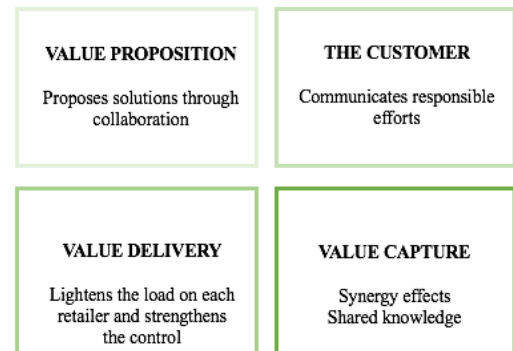


Figure 9: The Team Player

are organizations with the objective of increasing such collaboration. Similar to the STOF model, the Team Player is shaped as a network of companies, organizations, research institutions, and individual experts. The Team Player is a model with a focus on both environmental and societal issues, because retailers have a large impact on both dimensions and must find ways to solve both issues.

The Responsible Value Proposition

The Team Player proposes solutions through collaboration. Team Players are actively communicating, and improving their products and services according to market demand. This increases the value for the mindful consumer concerned with both societal and environmental issues. Team Players tackle challenges in the retail industry, by strengthening the control over environmental and societal issues. They are focusing on areas that are of the highest importance for retailers, customers, the market or governmental regulations.

The Responsible Customer

As consumers are becoming more aware of the importance of responsible business practices, retailers are experiencing increased pressure from customers to act more responsible. Driven by external pressure, it becomes important to be able to assure customers which engage in mindful consumption.

The Responsible Value Delivery

Retailers with large, and segmented supply chains, are often a part of global organizations improving supply chain management. This enables them to collaborate with each other in order to increase the control over supply chains. There are a large number of initiatives, partnerships and organizations that are aiming at gathering more companies together in order to tackle the various issues that are relevant for retailers. Several retailers in the textile industry are members of the Sustainable Apparel Coalition. This partnership helps retailers be a part of the progress towards sustainable materials, such as sustainable production of cotton. IKEA meets its goal of using cotton from sustainable plantations, and is managing this with its supporting partners in the Ethical Trading Initiative (IEH, 2015).

Companies also form several partnerships in order to solve societal problems. Lindex (n.d.) collaborates with the *School of Hope foundation*. This partnership contributes with education for children in the Slums of Dhaka, Bangladesh, donating clothes to children, collecting money, and helping to educate teachers. Similarly, Nike is addressing the issue of child obesity with their *Designed to Move* forum, in collaboration with 70 other expert organizations (Designed to Move, n.d.).

The Responsible Value Capture

There are certain challenges connected to leading different responsible business practices, for example, high costs or lack of resources. These problems may ease when the challenges are dealt with together. By collaborating, companies can create synergy effects, and share the costs related to implement responsible business practices throughout the supply chain. Consequently, they can gain greater control. In addition, collaborating companies can take advantages by sharing their knowledge on these issues.

The Supply Chain Manager

The Supply Chain Manager was generated as a model because retailers are becoming more concerned about their products' origin, and want to gain more insight in suppliers' practices. We found that gaining control over the supply chain is one of the greatest challenges in the retail industry. Consequently, we developed the Supply Chain Manager as a model, because retailers are implementing responsible business practices in order to improve the supply chain,

suppliers' working conditions and suppliers' quality of life. Hence, the Supply Chain Manager is a model with a societal focus, due to the work that is carried out in order to solve the societal challenges throughout the supply chain.

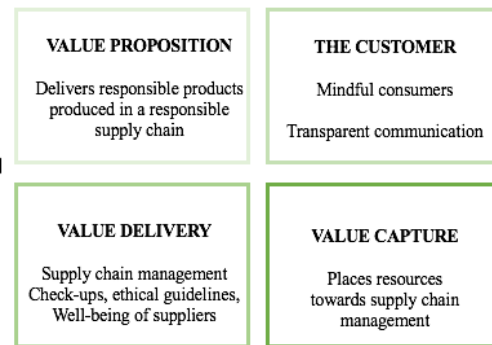


Figure 10: The Supply Chain Manager

The Responsible Value Proposition

The Supply Chain Manager offers products which have gone through an entirely responsible supply chain. The retailers

adopt practices that aim to improve suppliers' working conditions and their quality of life. A central part of the value proposition is therefore being able to assure that the supply chain is based on responsible business practices, primarily that working conditions are prioritized and improved.

The Responsible Customer

Customers are increasingly becoming concerned with having insight in the origin of purchased products and are demanding to receive information on how products are being produced. Hence, it is important for retailers to have a transparent value chain, which can reassure concerned and engaged customers. Consumers want to be reassured that the products they are buying, are not produced under questionable or unethical circumstances. H&M (n.d.-d) creates transparency and reassures customers about their supply chain, by opening their supplier list to the public.

The Responsible Value Delivery

In order to ensure that value is delivered through a responsible supply chain, retailers need to adopt certain practices. These are practices with the objective of increasing control, as well as improving processes in collaboration with suppliers. Some retailers purchase products or materials from several suppliers, and suppliers might even buy these products or materials from other third parties. Consequently, the length of the supply chain grows, and might be challenging to manage and control. Common issues related to complex supply chains are poor working conditions, unsafe work environment, or violation of ethical guidelines.

In order to gain control over suppliers, retailers are engaging in the work of the suppliers, visiting and monitoring factories, and attempting to cooperate with suppliers. According to Stormberg (n.d.), their factory overview and control involves monitoring

factories and conducting random controls, interviewing factory workers and making factory lists public to promote transparency. Further, establishing standards and ethical guidelines becomes crucial in order to manage the supply chain. These standards are primarily about assuring that human rights are not violated, and to assure proper and secure working conditions. IKEA (2014), for example, has established clear *IWAY* standards, which promote a secure and proper working environment. Additionally, retailers are in a greater extent providing programs or offering training for their suppliers that can improve suppliers' well-being. GAP's (n.d.) *Personal Advancement & Career Enhancement* program, is improving the quality of life for women who make their clothes, by providing them with the skills and confidence they need to advance at work and in life.

The Responsible Value Capture

Supply chain management and gaining control over an entire supply chain might increase costs, as these responsible practices require considerable amount of resources. In order to gain control over the supply chain, many retailers are attempting to make their supply chain as short as possible, which is another factor that might lead to changes in the cost structure. Supply chain management is often done in collaboration with other retailers, which may ease costs for an individual retailer.

The Problem Solver

The Problem Solver is generated as a model because various retailers are shaping their business in a way that also has a positive effect on the society or the well-being of others. The Problem Solvers are social entrepreneurs with a mission to change the society. From the companies identified as Problem Solvers, we further generated two groupings. The first group consists of start-ups with a business concept aiming at solving a societal problem. The second group consists of retailers which have adopted this idea into the business model later in the business' life cycle. The Problem Solver is a model with a societal focus, as the mission is to solve a societal challenge.



Figure 11: The Problem Solver

The Responsible Value Proposition

Problem Solvers are not only proposing value for the customer, but for the society as well.

Practices such as charity projects, inclusive recruitment, and engaging in local community efforts are some of the relevant examples in this model. Fretex (n.d.) proposes value by actively helping people get back to employment. Hence, the company aims to solve the problems of underemployment. Problem Solvers tend to go beyond the basic rules and expectations of the society. Identifying societal issues and needs is important in order to develop this type of business model. Product development might therefore start by identifying a global need, by for example studying UN Statistics and Sustainable Development Goals.

The Responsible Customer

The Problem Solver may not identify its target market as end-consumers, but as the society, and the world as a whole. Nevertheless, as consumers are becoming increasingly concerned with mindful consumption, the Problem Solver is attempting to meet the demands from mindful consumers. TOMS (n.d.) is operating with a one-to-one model, meaning that, for every pair of shoes sold to a customer, another pair of shoes is donated to a child in need. Hence, the customer is a central part of their model, because customers must participate in the process.

The Responsible Value Delivery

Delivering value to the society is done in several ways. For example, TOMS was established based on the idea of solving a societal problem. In addition, the company chooses a production country according to societal challenges in that specific country, in order to provide work and economic value (TOMS, 2015). Inclusive recruitment is another example. Retailers who lead an inclusive recruitment seek out to solve the societal issue of unemployment. Stormberg's recruitment policy implies that 25 % of their employees should be people that have had trouble entering the labor market (Olsen, 2015). M&S' (n.d.-b) *Marks & Start Program* helps single parents, disadvantaged groups and people who are homeless into work. A common practice is also to actively help local communities, by for example donating essential resources or volunteering in community projects. Canon (2015) donates solar-powered lights to communities without electricity, and hence, attempts to solve an important problem affecting several members of a society. Levi Strauss & Co (n.d.-d) has engaged in a project called *Community Day*, where employees around the world take a day away from work to volunteer with local non-profit organizations.

The Responsible Value Capture

The Problem Solver might have high costs related to their engagement in the society. Cost structures might be influenced by donations and other societal projects, which require a certain amount of resources.

5.1.1 Concluding remarks

The objective in this Chapter was to generate responsible business models that are relevant in the retail industry. It is important to emphasize that this is a presentation of different types which can represent the different focal points business models can have. It does not conclude that the models are mutually exclusive. Retailers can implement more than one type, or shift from one type to another. Our aim is to conceptualize the different types to provide a practical tool that will help retailers evolve and shift. A business model innovation can be more feasible if the company has a clear end goal. The different types are summarized in Table 11.

	The Value Proposition	The Customer	The Value Delivery	The Value Capture
The Reinventor	Makes old new again through reuse and recycling.	Mindful consumers. Customers are actively participating in the process.	Recycles materials, or sells the products as second hand.	Technological investments. Organizational set-up. Material-savings.
The Green Enthusiast	Delivers eco-friendly products based on eco-friendly production.	Mindful consumers. Active communication, e.g. green indexes and labels.	Measures and improves impact. Resource efficiency.	Resources towards new green technologies. Cost-savings.
The Teacher	Encourages stakeholders to become eco-friendly.	Guides customers towards mindful consumption. Strengthens knowledge. Active communication.	Establishes communication and information channels.	Places resources in communication and information channels.
The Team Player	Proposes solutions through collaboration.	Communicates responsible efforts.	Lightens the load on each retailer and strengthens the control.	Synergy effects. Shared knowledge.
The Supply Chain Manager	Delivers responsible products produced in a responsible supply chain.	Mindful consumers. Transparent communication.	Supply chain management. Check-ups, ethical guidelines, agreements and contracts. Engages in well-being of suppliers.	Places resources towards supply chain management.

The Problem Solver	Sets out to fix a societal problem. Proposes value to both customers and society.	Mindful consumers. Active communication with customers.	Inclusive recruitment. Community involvement. Societal projects.	Delegates resources to community involvement and charitable donations.
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Table 11: Summarization of the responsible business models

In the next Section, we provide a step-by-step framework which, seen in the light of the different types of business models, explains how retailers can shift their business models towards more responsible business practices.

5.2 Shifting Towards More Responsible Business Models in the Retail Industry

Based on our in-depth interviews with IKEA, H&M and Stormberg, we report the main challenges that retailers may encounter in the process of shifting towards responsible business models, and the critical resources that are needed to tackle these challenges. We categorize these along the five-stage model described in Section 3.3: Initiation, Ideation, Integration, Implementation and Continuous business model innovation. Figure 12 summarizes the main challenges and success factors from each stage of the business model innovation process. A detailed report on our findings for each of the case companies can be found in Appendix 3: Findings From the In-depth Interviews.






Initiation	Ideation	Integration	Implementation	Continuous business model innovation
				
Challenge: Ignorance	Challenge: Rigid mindset	Challenge: Lack of a systematic plan	Challenge: Being stuck in the middle	Challenge: Thinking in short-terms
Success factor: Strengthening the knowledge about morality and profitability.	Success factor: Making changes in the value delivery, and prioritizing.	Success factor: Using a systematic approach, with focused goals.	Success factor: Using active management, engaging employees. Increasing control and competence throughout the value chain.	Success factor: Adopting long-term thinking. Locating changing trends and market conditions.

Figure 12: The main challenges and success factors from each stage

1. Initiation: Understanding the Need for Change

Our main findings indicate that the common initiating triggers are *morality* and *profitability*. H&M, Stormberg and IKEA emphasize that leading a responsible business because it is *morally correct*, is an important internal driver. This motivates retailers to shape a sustainable future. Profitability is an initiating driver because a responsible business model can result in a strengthened brand image, increased customer loyalty, a first mover advantage, reduced costs, and avoidance of a brand crisis. A reason for why many retailers have not initiated responsible business practices, is because they lack a complete understanding of the sources for long-term profitability. Many retailers underestimate the benefits of a responsible business model, and may act ignorant to the initiating drivers. Gramstad explains that “many retailers find it comfortable to stay under the radar. If companies start to communicate what they are doing, it is easier to criticize them for not doing enough”. Hence, some retailers find it risky to implement a responsible business model.

“Firstly, I think corporate responsibility is important for all companies regardless of industry. Secondly, I believe that showing corporate responsibility actively is not only important, but also profitable”

(Stormberg, Appendix 3)

It can be challenging to understand the link between responsible business practices and increased sales. On the other hand, being a responsible retailer can increase customer loyalty and create a stronger brand image, which in turn can result in higher repurchasing rate and positive external attention. Consumer goods, such as food and clothes, are of personal importance in consumers’ everyday life. Attaching responsible values to such consumer goods can lead to a stronger brand equity.

Companies should think ahead in order to avoid a reputation crisis. However, a small retail store with an unknown brand will not gain a considerable amount of media pressure. Whereas IKEA, explains that *being a popular brand* coexists with a lot of external attention. Such attention strengthens the driver for having a responsible business model. This can indicate that a retailer of a smaller size does not initiate a business model innovation for responsibility, due to the lacking risk of unfortunate media coverage.

2. Ideation: Reframing Beliefs

Main findings indicate that retailers must reframe beliefs about how value is proposed and delivered. Responsible business practices must also be prioritized, because it is not possible to

do everything at once. Reframing beliefs can be challenging due to a rigid mindset and a well-established business concept. Further, it can be challenging to ideate the equilibrium between (1) having a positive impact on the environment or the society, and (2) being profitable.

In order to change a mindset, reframing beliefs about how the business proposes value may be a good place to start. For example, by visualizing how the proposed value to the customers also can have a positive impact on the environment or society. Retailers should not underestimate the potential that lies in establishing businesses based on solving world problems, through environmental technology or social entrepreneurship. On the other hand, many retailers already have a successful value proposition and business concept that is well-established in the market. In order to find the equilibrium between responsibility and profitability, a solution might be to reframe beliefs about the value delivery. This involves integrating responsibility into the traditional business concept.

Retailers must analyze own operations in light of responsible business practices, in order to reframe beliefs about the value delivery.

A responsible strategy will have more effect if clear goals are set, and the chosen practices gain full attention from the entire organization. IKEA explains that “There are numerous things we want to do in this company. We therefore need to find a balanced prioritization of all the things we want to do”. Stormberg states that the most critical challenge as a textile producer is supply chain management, and how the company must prioritize this challenge on a daily basis. H&M explains how they prioritize resources towards the challenge of resource scarcity, as a considerable amount of the environmental impact lies in the production of cotton. A prioritization of practices sharpens the strategic goals, and gives managers a road map for which practices that should gain their full attention.

“We can make ecological products, and produce with recycled cotton, but if the clothes do not look good, it is pointless. There is only a small part of the population that wears clothes just because the clothes are sustainable. The rest of the population wants to look good. Hence, H&M aims at being the fashion destination number one. However, we must deliver quality and fashion in a *sustainable way*”
(H&M, Appendix 3)

3. Integration: Delivering a Strategic Approach

Our findings show that IKEA, H&M and Stormberg have systematic, but still holistic, approaches to their responsible strategies, meaning that they want to impact positively in several areas. In contrast, many retailers are using a cyclical approach, which creates challenges in the implementation phase. They are carrying out responsible business practices, but have no deliberate strategies on how to do it. Many retailers are easily sidetracked, as they do not facilitate the practices according to a plan. The implementation of deliberate strategies can function as guides, and be helpful in order to stay on track. IKEA, H&M and Stormberg have systematic strategies in order to capture all aspects related to the holistic approaches. Table 13 illustrates how the interviewees' systematic approaches are characterized by a clear strategy, with two to four focus areas.

*“It is important to have an own base to stand on. Or else it is quite easy to end up *in one day the focus is on this issue, and the next day the focus is on another issue*”.*

(IKEA, Appendix 3)

IKEA	H&M	Stormberg
People & Planet Positive 1. Enable people to live a more sustainable life at home 2. Becoming energy and resource independent 3. Better life for people and the environment	Taking care of (1) People and (2) the Environment - Provide fashion for conscious customers - Choose and reward responsible partners - Be ethical - Be climate smart - Reduce, reuse, recycle - Use natural resources responsibly - Strengthen communities	1. Climate and strategy 2. Ethical trade 3. Inclusive employment 4. 1 % [support to humanitarian social purposes]

Table 12 : Showing the different systematic integration approaches

A systematic approach should also evaluate the responsible business practices that are being integrated. Following regular evaluations on the progress can help retailers assess whether or not the transformation towards a more responsible business model is on track. Revisions and evaluations of the integrated strategy can help retailers locate less efficient practices, and practices that need more attention.

4. Implementation: Going from A to B

The interviews indicate the importance of four important factors, namely, risk management, managerial support, and a cultural and organizational change. By following a systematic approach, the retailer will have a thorough strategy to implement throughout the organization.

It is important to emphasize that implementing a responsible way of doing business requires resources and time.

The Importance of Risk Assessments

Our findings indicate the importance of transparency and risk assessments. The implementation of responsible business practices can lead to increased external attention. Such attention can intensify the risk of a brand crisis, and lead to unanticipated costs. H&M uses transparency and active communication in order to increase external stakeholders' knowledge about

H&M's responsible practices. Increased knowledge among customers and other external stakeholders, can be beneficial for the retailer's credibility and limit the risk of a brand crisis. H&M explains that the company has opened its supplier lists in order to increase transparency. Programs aiming to increase control throughout a retailers' supply chain can also minimize risk. IKEA, for example, uses *IWAY* standards. These are requirements IKEA is demanding suppliers to follow, and concern both environmental considerations and working conditions.

“We can see how much critical focus there has been on H&M, and they are probably the best ones in the industry”

(Gramstad, Appendix 3)

The Importance of Management Support

Our findings indicate the importance of an engaged person or team that is responsible for carrying out the business model innovation. Lack of commitment from top management is a common challenge which is crucial to overcome, as it is up to the leader whether or not responsible business practices is on the company's agenda. A critical resource for the business model innovation process is therefore management commitment. The executive management should be both

passionate about the responsible vision, and willing to make the necessary investments. It should be taken into account at board meetings, and in communication activities for the company as a whole.

“A company is dependent on someone that is constantly looking after and pushing, and gets CSR integrated, and not disintegrated”

(Gramstad, Appendix 3)

While the top leader is of crucial importance, the executive manager has a hectic workday with several objectives. Other managerial support systems must therefore be set in place. Implementation requires knowledge and understanding on the subject, and someone with a focused objective of running such a transformation. A solution can be to hire a dedicated CSR or sustainability manager, or establish a team that drives the business model innovation.

IKEA points out that enablers can be people throughout the whole company, because the drive does not necessarily have to be formalized by executive managers. The management should, however, encourage such engagement.

The Importance of a Responsible Mindset as part of the Culture

Our findings indicate the importance of integrating a responsible mindset as part of the organizational culture. A cultural change is an ongoing process where motivating employees, and increasing knowledge across organizational levels, is central.

One of the main challenges when undergoing a business model innovation, is internal resistance for change. It is important that the organization as a whole reframes traditional beliefs about how business is run. However, reframing traditional beliefs among the executive managers, middle management and the front personnel can be a time-consuming process.

When retailers try to establish a new mindset, they find it challenging to reach out to all of their employees. Consequently, knowledge about the responsible business practices may not correlate across organizational levels, which leads to conflicting signals. A retailer usually delivers its brand in stores, where the front personnel engages with customers. In order to increase knowledge and awareness among co-workers, H&M operates with a mandatory e-course, *Conscious for Beginners*, and IKEA suggests meetings where they address one or two current sustainability issues. It is essential to find ways of signaling the importance of shifting towards a responsible business model. Integrating responsible values in the organizational vision can have a strong signaling effect. Whereas integrating responsible values in job descriptions can promote individual accountability for the responsible practices. H&M argues that individual accountability can be strengthened by the use of Key Performance Indicators. Our understanding is that such indicators also have a strong signaling effect as they signalize the overall objective of the company. IKEA argues that setting a goal as one hundred percent creates energy and engagement among every co-

“Employees are the ones who have to carry out the work, and if they do not perceive this as important or correct, then we are not headed anywhere”

(IKEA, Appendix 3).

“A huge challenge, especially in the retail industry, is communicating and reaching out to all of our employees. Seeing that customers are increasingly engaging in CSR issues, it is important to engage employees working in our stores. Our employees should have insight in all of our work with CSR and sustainability”

(H&M, Appendix 3)

worker involved. Hence, a quantified goal can in itself be motivating. Lastly, IKEA encourages its co-workers to suggest own ideas for sustainability improvements. Such encouragement can lead to a stronger feeling of ownership, and therefore increase motivation.

The Importance of Organizational Change

Our findings indicate that retailers must realize that an organizational change is a long-term process which requires time, patience and constant care. Consequently, business model innovation needs to be perceived as a long-term process. It is common to lead a temporary model during the process, because it is difficult to implement all transformations needed at the same time. Consequently, the result may be that

“Certain issues require a longer timeframe for obtaining results, and it is not possible to do everything at once”

(IKEA, Appendix 3)

some departments are running their daily business based on the traditional business concept, while management and others are running daily operations based on the new responsible concept. In other words, being stuck in the middle between an old and a new model. Many retailers are shortening their supply chains in order to improve the efficiency of organizational changes. Lowering the number of external parties makes retailers more equipped to transform the business model, as they have less components to take into account, and therefore gain increased control.

Shifting a model requires attention from the management group. IKEA has a Corporate Sustainability Officer in the global management group, as well as one Sustainability Manager in every core function and country they are present in. Such organizational changes are of crucial importance in order to shift focus throughout the process. These managers should ideally follow up the entire value chain, both the front and back end. Lastly, retailers can shift more easily by gaining increased competence and knowledge. For example, by recruiting new managers with the required knowledge and capabilities, or gaining synergy effects from external partners.

5. Continuous Business Model Innovation: Being Open for Changes

Our findings indicate the importance of being open to a continuous process in order to follow changes in the external surroundings. Rigid business models is a central challenge. Consequently, an open-minded approach, and continuous work with responsible business practices, must be adopted. Continuous business model innovation is important in order to promote an innovative business model. This involves thinking ahead, and visualizing what the

company wants to be in the future. For example, does the company want to be a first mover in certain areas? Which responsible business practices will be relevant in the next couple of years? How can the company innovate its business model in order to tackle the increasing resource scarcity? Business model innovation can be a resource-demanding, and time-consuming process, and hence, there is a need to think ahead in order to develop systematic approaches to necessary changes. Having a dedicated CSR or sustainability manager, can work as an important driver for continuous business model innovation. Another driver can be a team focusing on locating trends, future disruptions and changing market conditions.

“I think new cases will constantly arrive. For example, things that we usually would not interpret as CSR”

(Gramstad, Appendix 3)

5.2.1 Concluding remarks

The objective of this Section was to derive a systematic framework for retailers that are aiming to implement a responsible business model. To this end, we have gone through five stages, as summarized in Table 13.

Main findings	
INITIATION	<p>Many retailers do not initiate a business model innovation because they are ignorant towards the need for change.</p> <p>The common triggers are morality and profitability. <i>Morality</i> is an internal motivation for shaping a sustainable future. Whereas, <i>profitability</i> is an initiating driver due to the possibility of strengthened brand image, customer loyalty, and the avoidance of a brand crisis.</p>
IDEATION	<p>During ideation many retailers struggle with rigid mindsets.</p> <p>To be able to reframe beliefs, a change in the way value is delivered can be helpful. Findings indicate that retailers should lead practices that co-exist with the current business concept, and find a balanced prioritization of responsible practices.</p>
INTEGRATION	<p>Many retailers lack an efficient strategy.</p> <p>While success is often found by following a systematic plan. Findings indicate that a systematic approach with a few prioritized focus areas is recommended.</p>
IMPLEMENTATION	<p>Many retailers get stuck between an old and new model</p> <p>To successfully shift a business model: (1) Lead a controlled and transparent business model innovation, (2) Top leader, competent team and CSR managers are important drivers, (3) Engage and motivate, and increase co-workers' knowledge, (4) Change takes time, lead a process view.</p>
CONTINUOUS BMI	<p>To be able to gain long-term advantages, findings indicate that retailers should implement a long-term mindset, be open for changes and lead continuous ideation.</p>

Table 13: A systematic framework for business model innovation for responsibility

6. Discussion and Conclusion

There are two important reasons for why retailers are resistant to implement responsible business models: (1) There lacks a clear conceptualization of the different types of responsible business models that retailers can adopt, and (2) there lacks an understanding on *how* to implement responsible business practices into the business model. To address these issues, the aim of our thesis has been twofold. Firstly, we have identified the different types of responsible business models in the retail industry. Secondly, we have delivered a framework for business model innovation illustrating how retailers can shift towards more responsible business models. In the following, we discuss the most important findings from Chapter 5. Additionally, we deliver managerial and theoretical implications from our findings, discuss limitations, and propose avenues for future research.

6.1 What are the Emerging Types of Responsible Business Models in the Retail Industry?

In order to identify *types of responsible business models in the retail industry*, we have generated six models that differ in terms of the extent to which environmental and societal goals are integrated into the business model. *The Reinventor* is a model that emphasizes circular economy, and keeps resources in closed loop systems by reusing and recycling. *The Green Enthusiast* strongly emphasizes practices that reduces negative impact on the environment, by improving resource and energy efficiency. *The Teacher* encourages stakeholders to become more aware of environmental and societal issues. *The Team Player* aims to create a responsible retail industry in collaboration with others. *The Supply Chain Manager* attempts to solve societal issues in the supply chain, and improve the life and well-being of individuals throughout the supply chain. Lastly, *the Problem Solver* aims at solving a societal issue through inclusive employment and local community projects.

The models differ by having different focal points and mindsets. For example, the focal point for the Team Player is collaboration, whereas the focal point for the Reinventor is to recycle and reuse. However, some practices are common across the models. For instance, the Reinventor and the Green Enthusiast, are both models aiming at improving resource efficiency in order to reduce negative impact on the environment. Furthermore, The Team Player often focuses on supply chain management in collaboration with others, and therefore draws similarities to the Supply Chain Manager.

The value proposition and the value delivery are found to be the pillars leading the change. To exemplify, a change located in a new need in the market, for instance an increasing

demand for green products, changes the value proposition in the Green Enthusiast. Consequently, green products have to be produced in a certain matter, which will change the way in which value is delivered.

Retailers can use one or more types in order to shape their transformation towards a responsible business model. Hence, the models are not mutually exclusive. We have envisioned that these types can be used as end goals when retailers are in an ideation process, and searching for ways to adopt responsible business practices. Retailers may choose to move forward with one of the models. However, a higher degree of responsibility will first occur when more than one model is adopted. We have found that large and well-established retailers are attempting to lead such a holistic approach, as their objective is to implement all of the six models. In contrast, small retailers are adopting one or two models. Naturally, these distinctions are due to differences in company size and the amount of accumulated resources.

We assumed we would generate a larger amount of models with an environmental focus, as environmental and climate concerns are of high priority today. Circular economy, for instance, is one of the most prominent trends in the industry. Our findings, however, generated an equal amount of models with a societal and an environmental focus. Nevertheless, our findings suggest that most retailers follow the Green Enthusiasts' objective, as we found that a greater number of responsible business practices are characterized as *green* practices. This implies that reducing negative impact on the environment is highly prioritized among retailers.

We are surprised that our findings did not imply an emerging use of collaborative consumption among retailers, which is evident in other industries, such as housing (e.g. AirBnB) and taxi (e.g. Uber). However, we believe that this will be a central trend in the near future, and that retailers will find ways of benefiting from collaborative consumption. Naturally, this trend can be found in one of the eight archetypes delivered by Bocken et al. (2014), considering that these archetypes are not specified for one specific industry.

Most of the models identified in this thesis can be compared to Bocken et al.'s (2014) archetypes. For example, the Reinventor can be compared to the archetype *Create value from waste*, where circular economy is one of the mentioned examples. The Teacher can be compared to the archetype *Encourage Efficiency*, where consumer education is one of the examples. Bocken et al. (2014) divide archetypes between the groupings: Technological, Social and Organisational. Our thesis exclusively divides between the environmental and societal dimension, which provides a more simplified overview. In addition, the models

presented in our thesis have a more narrowed focus. For example, The Team player is a model solely focusing on solving challenges in collaboration with others. In Bocken et al.'s (2014) study, we also find the use of collaboration and partnerships. However, this is just one out of many examples grouped under the archetype *Develop scale up solutions*. In general, Bocken et al. (2014) gather more examples under one archetype, and the archetypes have a stronger emphasis on environmental innovations. In contrast, our thesis attempts to deliver narrowed model types, and investigate both environmental and societal practices.

To conclude, the models presented in this thesis are exclusively directed towards the retail industry, providing insight into responsible business practices that are relevant for retailers. Further, we believe that our simplified models can more easily appeal to retailers, as the main focus of one specific model is clear and simple to understand.

6.2 How can Retailers Shift Towards more Responsible Business Models?

To identify *how retailers can shift towards more responsible business models*, we have used a step-by-step framework for business model innovation, and identified challenges and success factors. Many retailers do not *Initiate* a business model innovation because they are ignorant towards the need for change. Consequently, the knowledge about the common triggers, morality and profitability, must be strengthened. During *Ideation* many retailers struggle with rigid mindsets. To be able to reframe beliefs, a change in the way value is delivered can be helpful. When considering an *Integration* approach many retailers lack an efficient strategy. Findings indicate that success is often found by following a systematic plan. During *Implementation*, many retailers get stuck between an old and a new business model. To successfully shift the business model, using active management, engaging employees, and increasing control throughout the value chain are crucial factors. Lastly, *Continuous Business Model Innovation* requires a long-term way of thinking, which is necessary in order to locate changing trends in the external surroundings.

Our findings indicate that a business model innovation often is required when the objective is to implement responsible business practices. The interviews highlighted that adopting responsible business practices changes the four pillars of the business model, and hence, changes the way in which a retailer creates, delivers and captures value. The Value Proposition is often changed because retailers must, when shifting towards a responsible business model, not only propose value to their customers, but also to the environment or the society. In order to change what value is being offered, it is also necessary to change how

value is delivered. The interviews highlighted the importance of staying true to the core business concept, for example, by delivering the traditional product, but in a *sustainable* way. Value Capture is often affected by changes in other pillars, because shifting towards a responsible business model requires considerable amount of resources and might change cost structures. Revenue streams might be changed if increased customer loyalty or brand image is enhanced.

The importance of an active management driving the whole business model innovation is a common feature in several stages of the framework, in particular the stages concerning implementation and continuous business model innovation. Hence, a specific person or team which facilitates the required activities in each stage can be a critical factor for success. Another common feature is the importance of changing mindsets and reframing beliefs about traditional ways of running a business. We found that changing mindsets and reframing beliefs is often done, not only during ideation, but throughout the whole process. Findings indicate the importance of cultural and organizational change, which require a change in mindsets among employees. For example, by integrating a responsible way of thinking as part of the organizational culture. Lastly, another common feature is the importance of patience about the time consuming process in each stage.

To conclude, by delivering a systematic framework for responsible business model innovation, we are able to provide a practical tool that can serve as a guide for retailers. Particularly, the in-depth interviews were useful as they allowed us to gain insight into how challenges can be dealt with at each stage of the process. This is a topic that had been neglected so far in the sustainability and business model innovation literature.

6.3 Managerial Implications

The six types of responsible business models conceptualized in this thesis, can be used as end goals for retailers. The models can, for example, be used in the ideation process, where the retailer can gain creative input and guidance. By having the six models in mind, retailers can more easily allocate resources according to their chosen focal point. The six models can contribute to CSR practitioners because they are more user-friendly than existing archetypes, which are too broad and not targeted towards a specific industry. A narrowed focal point and mindset contributes in making the models user-friendly.

To be able to implement responsible business practices successfully, we further recommend managers to adopt the step-by-step framework for business model innovation presented in this thesis. Delivering a framework based on systematic stages, contributes in

making the process logical to follow for practitioners. We underline the importance of managerial support, a thorough risk assessment, a transparent communication strategy, and a mindset of continuous business model innovation.

6.4 Theoretical Implications

To date, concepts such as corporate social responsibility and sustainability are often used interchangeably in extant literature. This has contributed to a conceptual ambiguity, which has also affected research on sustainable business models. To address this ambiguity, we have aimed for clear definitions regarding *responsible business practices*, a *responsible business model* and *responsible business model innovation* in this thesis. In particular, we believe that a definition of responsible business practices as a common term for CSR and sustainability, can be used in future research concerning environmental and societal issues. The definition can therefore contribute in limiting the confusion between CSR and sustainability.

By adopting a business model perspective, we are contributing to academics working in the field of CSR and sustainability. We have investigated how responsible business practices can be integrated into business models, which delivers a comprehensive overview. Further, we have investigated how the pillars of a business model are affected by the adoption of responsible business practices, and analyzed the interaction between pillars. We are contributing to the business model literature with the six model types, which have been generated based on a systematic approach. The business model literature had been lacking such systematic approaches to the development of business model classifications. We believe that our conceptualization of a responsible business model is applicable for the retail industry, and therefore contributes to existing literature. Furthermore, by examining the entire retail industry we are providing a more generalizable and comprehensive overview of the industry as a whole.

We further strengthen the understanding of how a business model is affected by the implementation of responsible business practices. We have done this by deriving a step-by-step framework for business model innovation. Contributions to existing literature are made by delivering a process view, which takes challenges and critical capabilities into account. While responsible business model innovation is not an entirely new subject in contemporary research, it remains an emerging research field. The business model typology had been neglected in practitioner-oriented literature on corporate responsibility and management, resulting in managers lacking a practical tool for launching a business model innovation in

general. We try to strengthen this understanding by delivering a roadmap for retailers with a step-by-step framework.

6.5 Limitations and Future Research

During our work with the thesis we have gained insight into the retail industry and how responsible practices are being implemented into business models, and we therefore believe that we contribute to existing knowledge. However, there are limitations related to the sample choices and the way of collecting data.

Our findings might indicate that implementing responsible business practices is best operationalized by larger companies with great amount of resources, as we only have interviewed retailers which already have successfully managed to implement responsible business practices. Interviewing a retailer that has not been able to implement responsible business practices *at all*, could have strengthened the thesis' validity. Perhaps we could have found other challenges in each stage of the business model innovation framework, which we have not covered in this thesis. We therefore suggest that future research should investigate the nature of responsible business model innovation in firms of different sizes.

On a similar note, by interviewing *experts* in the field, that is, CSR or sustainability managers, we neglect other functions in an organization that might play a role in the transformation towards responsible business models. Our findings can therefore be less generalizable, considering that all of our chosen interviewees have similar roles. When studying business model innovation, other roles in the company should have been taken into account as well.

We gained a huge amount of information by establishing the retail industry as our research field and leading an exploratory design. Due to the limited time frame, we were only able to locate main trends and derive main focal points in the industry. If we had limited our search, for example towards a specific sector of the industry, this would probably have given more detailed results. The fact that we focus specifically on the retail industry, also impedes the possibility to generalize the findings and recommendations to other industries.

In addition, the sample of 72 retailers was not limited due to access to more data, but to our time frame limiting us from using more resources on data collection. However, a larger sample size would perhaps have the ability to, not only strengthen our thesis, but also result in different findings. Perhaps we could have identified a seventh model. Additionally, there are limitations to the proposed categorization of the responsible business models. The approach is reflective, based on historical examples, and can therefore not predict entirely new innovative

approaches. To be able to capture the latest state-of-practices, the approach may need to be revisited from time to time.

Furthermore, we exclude the question of short-term profitability. Such subjects are regrettably limiting our thesis. We assumed that responsible business practices lead to long-term profit for retailers, and further examined how taking environmental and societal considerations into account, can change strategic and organizational aspects. Research on the correlation between profitability and responsibility has previously been investigated (e.g., Jørgensen & Pedersen, 2013). However, profitability in specific for the retail industry is an interesting topic for further research. In addition, it would be interesting to measure how a specific responsible business practice in the value delivery, will impact the cost structure in the value capture.

More work lies ahead for future research on responsible business models and responsible business model innovation. The types of responsible business models, and the business model innovation framework we present in this thesis provide a comprehensive overview, and an indication of how activities can be carried out in practice. Hence, our contribution can serve as a starting point. However, further research is needed to clarify the concepts, gain deeper understanding in each of the six types of responsible business models, and develop and test empirical measures.

7. References

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Appendix 1. Literature Review

Summary of relevant academic articles on business models and business model innovation in the context of CSR and sustainability. These academic articles are used in order to identify literature gaps.

EBSCO Database Searches

Table illustrating how searches for academic articles were systematically conducted on the EBSCO database.

Stage	Search word(s)	Field	Results
1	“sustainable business model”	In title, abstract or keywords	18 hits
2	“sustainability” and “business model”	In title	5 hits
3	“sustainability” and “business model”	In keywords	7 hits
4	“sustainability” and “business model” and “retail”	In keywords	No results
5	“sustainability” and “business model” and “retail”	In abstract	2 hits
6	“business model” and “retail” and “corporate social responsibility”	In abstract	1 hit (same article as one of the hits in stage 5)
7	“business model innovation” and “retail” and “sustainability”	In abstract	No results
8	“responsible business model”	In title, abstract or keyword	2 hits
9	“responsible business model” and “retail”	In abstract	No results
10	“responsible business model” and “retail”	In keywords	No results
11	“business model innovation” and “sustainability”	In abstract	8 hits
12	“sustainable business model innovation”	In title, abstract or keywords	1 hit

Result of searches for academic articles on EBSCO database and Science Direct.

Author(s)	Research Focus	Method	Contribution/Findings	Industry/type
Mihalić, Žabkar & Cvelbar (2012)	Hotel sustainability business model	Comparative analysis	Develops a hotel sustainability model (HSBM) Results indicated strong importance and measurement of economic and marketing indicators	Hotel
Birkin, Polesie & Lewis (2009)	Business model for sustainable development	Semi-structured interviews and secondary material	Identify a new business model for sustainable development New management tools and approaches of Nordic organizations do help sustainable development, but it is the social context in which these organizations function that is a critical factor	Nordic organizations
Osborne et al. (2014)	Sustainable business model for public service organizations	Conceptual	Reflects on the business model for public service organizations Includes topics about global economic recession, public spending, and contemporary public management theory	Public sector, public service organizations
Shortsteele (2009)	Efficient and sustainable business models	Conceptual	The financial crisis and the pressure to go “green” are prompting firms to become more efficient. Discusses how business enterprises can create a more efficient and sustainable business model in order to increase profitability	Enterprises
Laukkanen & Patala (2014)	Barriers to sustainable business model innovation	Conceptual	Examines how societal transition towards sustainable business models can be achieved Categorizes key structural barriers to sustainable business model innovation and how these can be overcome through activities of governments, firms and consumers	Governments and firms
Carbone (2003)	Ethics, patents and sustainability of biotech business model	Conceptual	Explains the importance of business model to the success of the biotech industry Examines the changing nature of innovation in the biological sciences	Pharmaceutical biotechnology industry in the US
Joule (2011)	Sustainability as a business model for fashion-forward thinking	Single-case study	Examines how environmental awareness is woven into every aspects of the life cycle of products: From the way raw materials are used, how products are created, sold, and cared for by end-users	Fashion industry

8	Seay (2015)	Sustainable business model and creation of value	Conceptual framework	Explains the importance of developing some framework for assessing how sustainability initiatives directly or indirectly impact performance. Provides input towards such a framework and demonstrates how the integration of sustainability into business processes and products creates value for all of a company's stakeholders	Company
9	Strohhecker (2012)	Implementation of sustainable business strategies	Experiment	Describes how owners and managers strive for a sustainable business model, but participants struggle with successfully implementing sustainable business strategies	
10	Eppler, Hoffman & Bresciani (2011)	Business models through collaborative idea generation	Experiment	Proposes a model that aims to explain how artefacts can affect the team processes in developing new business model ideas, positing that they have an impact on creativity and collaboration	
11	Seelos & Mair (2005)	Social entrepreneurship and business model	Conceptual	Offers insights that may stimulate ideas for more socially acceptable and sustainable business strategies and organizational forms	
12	Niraj & Nageswara (2015)	Sustainability of E-retail	Multiple-case study	Business models in E-retail in India lack several aspects of sustainability. Focus on how to increase profitability. The paper makes a correlation of emergence of e-retail in developed economies like US, UK, along with developing economies like Brazil and China	E-retail in India, US, UK, Brazil and China
13	Hemphill (2013)	Sustainable business models in food manufacturing	Case study	The creative capitalism model of sustainability and social environmental responsibility is applied to the food manufacturing industry's efforts	Food manufacturing industry
14	Edvardsson & Enquist (2011)	Service excellence and innovation model	Single-case study	Develops a new framework known as "The business model of service excellence and innovation", known as the service excellence and innovation (SEIB). The framework focuses on how to create and manage resource configurations that enable, support, and direct customers in value co-creation and service exchange	Electronic shopping and mail-order houses
15	Seshadri (2013)	Shared responsibility in a trans-organizational business model	Conceptual	Proposes design for the sustainability syndicate: Shared responsibility among diverse stakeholders for sustainability; an agenda for unifying economic and ethical rationales	
16	Bocken et al. (2014)	Sustainable business models archetypes	Conceptual	Examples of mechanisms and solutions that can contribute to business model innovation for sustainability	
17	Hvass (2015)	Business model innovation through second hand retailing	Single-case study	Sustainable business model archetypes describe groupings of mechanisms and solutions	Second hand retail Fashion industry
18	Kudlak, Schönherr & Krumay (2015)	Contingencies and trends influencing sustainable business models	Multiple-case study	Investigates how the resell of a fashion's brand own products can facilitate business model adaptation towards sustainability	Apparel/fashion industry
19	Boons & Lüdeke-Freund (2013)	Business models for sustainable innovation	Literature review	Offers insights and orientation for companies in regards to those environmental and quality of jobs issues which may provide opportunity for creating more sustainable business models. How to differentiate a business model.	Corporations
20	Lüdeke-Freund (2013)	Business models for sustainability	Conceptual framework	Review the current literature on business models in the contexts of technological, organizational and social innovation. Propose examples of normative requirements that business models should meet in order to support sustainable innovation.	Entrepreneurial
21	Sorescu, Frambach, Singh, Rangaswamy & Bridges (2011)	Retail Business Model Innovation	Conceptual	Develops the business models for sustainability framework (BMfSI). The BMfSI framework helps structuring the emerging sustainable entrepreneurship research	Retail industry
22	Schaltegger, Lüdeke-Freund & Hansen (2012)	The role of business model innovation for CSR	Conceptual framework	Proposes six major ways in which retailers can innovate their business models to enhance value creation. Describe the driver behind business model innovation	
23	Lüdeke-Freund (2013)	The solar business case and model	Case study	Argues that business model innovation may be required to support a systematic, ongoing creation of business cases for sustainability. Proposes a framework for business model innovation as strategically integrated element of business activities	Solar Energy British Petroleum (BP)
24	Hansen, Lüdeke-Freund, Quan & West (2013)	Technology push and demand pull	Multiple case study	Shows how a "solar business case" is realized and how British Petroleum realized it and how they tried to keep it going. Reconstructs the strategic drivers and business model innovations	Solar Energy and policy

25	Lüdeke-Freund & Loock (2011)	Tracking down a bias in financing photovoltaic projects	Multiple case study	Findings show that if premium brands were engaged, lenders would also choose projects with higher risk.	Renewable Energy
26	Blaga (2013)	Rethinking Business Sustainability	Conceptual	The paper answer what sustainability is, what it means to be a sustainable business, and how to develop sustainable business models. The paper tries to capture the sustainability "big picture"	
27	Boons, Montalvo, Quist & Wagner (2013)	Sustainable Innovation, business models and economic performance	Literature review	Argues that sustainable development requires radical and systematic innovations, by using business models as a tool. This paper is a part of a larger sample that presents new research agendas in the field of business model management. Gives insight into the concept or understanding and advancing sustainable innovation	
28	Heyes (2014)	The future of airport retail in a carbon constrained world	Conceptual	Examines the pressure on airport retail in a carbon-constrained world, and puts forward a research agenda. Challenges will give rise for new challenges, causing sectors or individual organizations that are unable to adapt to decline or disappear. The growing environmental concerns may force retailers to consider new ways of doing business that will enable them to remain profitable in a carbon constrained world.	Airport retail
29	Stubbs & Cocklin (2008)	Conceptualizing a "Sustainability Business Model"	Multiple-case study	A SBM is here a model where sustainability concepts shape the driving force of the firm and its decision making. They reveal that organizations adopting a SBM must develop internal structural and cultural capabilities to achieve firm-level sustainability and collaborate with key stakeholders to achieve sustainability for the system that an organization is part of.	Banking
30	Garvare & Isaksson (2001)	Sustainable Development: Extending the scope of business models	Conceptual	The paper presents an example of how to integrate the values of sustainable development in a "business excellence model". Existing methods and strategies for quality and business excellence are compared with definitions of sustainable development. A framework of sustainable development in a business context is presented	
31	Loorbach & Wuijsman (2013)	Business transition management	Case Study	Explores the co-evolution between societal sustainability transitions and fundamental shifts within individual businesses. Argue that there is an emergent trend to move beyond optimizing the organization's individual performance. The frontrunner business that orient themselves towards sustainable market transitions develop a competitive advantage, and in the short term gain renewed ambition and enthusiasm. Delivers a transition framework	The Dutch roof sector
32	Keijzers (2002)	The transition to the sustainable enterprise	Conceptual	Describes that private enterprises engages in a shift from environmentally friendly methods towards sustainable entrepreneurship. Explains how the corporate governance changes. Argues that the preservation of non-reproducible "key stocks" of energy, biodiversity, and space requires new and special attention in the strategic management of the sustainable enterprise	Government and enterprises
33	Girotra & Netessine (2013)	Business Model Innovation for Sustainability	Conceptual	Provides a brief summary of a conceptual framework to identify new business models. Argues that they key to identifying new business models is understanding the context of decision making in existing models and the associated inefficiencies. They advise a framework for conceptualizing sustainable business models, the generated business models should be analyzed in order to identify the most promising one.	
34	Henriksen, Bjerre, Øster & Bisgaard (2012)	Green Business Model Innovation	Policy Report	Argues that policy makers need to consider whether their emergence and the related innovation should be left to the market or whether policies are needed to support it. Focuses on identifying policy initiatives that contribute to promoting the use of green business model innovation and the direct effects that policy has on enabling companies to implement it.	Political institutions
35	Henriksen, Bjerre, Bisgaard, Alamsi & Damgaard (2012)	Green Business Model Innovation	Case studies	Provides fact based knowledge in relation to Green Business Model Innovation and sums up the key learning points from a business case study, a literature review on economic and environmental effects and an impact assessment of a survey	Companies
36	Diekson & Chang (2015)	Business case for sustainability	Multiple-case study	Describes the CSR work being carried out in supply chains	Apparel industry
37	Morgan (2015)	Business model innovation for sustainable consumption	Single-case study	Several initiatives for business model innovation are built on sources for competitive advantage Findings suggest that, while leading firms may be capable of creating new sustainable business models, sector-level sustainable consumption	Retail industry
38	Molderez & Elst (2015)	Barriers towards a change in the clothing industry	Multiple-case study	Discuss the influence of small, sustainable start-ups on market incumbents. The focus is on the act of influencing in the fashion industry	Fashion industry
39	Schaltegger, Hansen & Lüdeke-Freund (2015)	Business models for sustainability: Origins, Present Research and Future Avenues	Literature review	Argues that the component of corporate sustainability has only recently moved into the focus of sustainability management research. The usual approaches are insufficient to create the necessary radical transformation. More in-depth research is needed	Corporation
40	Tollin & Jesper (2012)	Sustainability in business:	Conceptual	A typology of sustainability strategies is presented as well as a conceptual framework relating sustainability at the company level to the functional level of marketing.	

		understanding meanings, triggers and enablers			
41	Pedersen & Andersen (2015)	Sustainability innovators and anchor draggers: a global expert study on sustainable fashion	Multiple-case study	Explores current barriers and opportunities for sustainability in the fashion industry. Indicates that the fashion industry faces immense social and environmental challenges and that the scale and scope of current approaches so sustainability are limited	Clothing and fashion industry
42	Bocken (2015)	Sustainable venture capital	Conceptual	Argues that venture capital investments has a key role to play in the development of sustainable start-ups. Provides insights into how venture capitalists can contribute to sustainable business success	Venture / start-ups

Appendix 2: Online Research

Secondary data from retail companies: Analyzing retailers' responsible business models

Example Company: Nike

Example of how responsible business practices were analyzed according to environmental and societal dimension, and the four pillars of the business model. This was done for all 72 retailers, however, due to excessive page usage, we chose to summarize our findings by the six responsible business models, provided in the next table (Overview of analyzed retailers). Here, we show an example of how Nike's responsible business practices were analyzed.

NIKE		ENVIRONMENTAL	SOCIETAL
VALUE PROPOSITION	Sustainable innovation: Using environmental new product development (ENPD) in a large scale. 2 million water bottles recycled into new clothing. 86 % of products contain at least 5 % organic cotton.		Focus on solving societal problems. E.g. childhood obesity, the company has assembled an <i>Access to Sport</i> team in order to address this issue. Started a new organization called <i>Designed to Move</i> with 70 other expert organizations. The framework was co-authored by the <i>American College of Sports Medicine, the International Council of Sport Science, Physical Education and Nike.</i> Fighting for equal gender rights, <i>The Girl Effect</i> . Nike is an active communicator of this message, and sponsor of many organizations that actively work with this issue
THE CUSTOMER	Active communication about what they are doing (educating the customer) Customers can give Nike feedback on how good Nike's information are Creates active dialogue with the customer		Nike's motivation is <i>if you have a body, you're an athlete</i> Encouraging the whole society to be more active Nike supports new entrepreneurs with <i>training programs</i> Running application. Largest sponsor of the annual NYC marathon. Improve women's place in sports.
VALUE DELIVERY	Material use is Nike's largest impact on the environment. Are continuously tackling this challenge through ENPD. Nike seeks to cut energy use and greenhouse gas emissions throughout the value chain in order to reduce climate impacts and energy-related costs. The upstream activities in the value chain are constantly under the loop for innovative new methods that can reduce the environmental footprint. Nike actively measures any impact on the environment, and reduce them on an annual basis		Nike has several factories: Over 1 million people all over the globe are working for them. Nike is actively trying to be a part of the <i>change</i> : Improve labor conditions. Directing work towards factories that are rated as <i>bronze</i> or over: Nike believes that a knowledgeable workforce will create more value – if factories fail to achieve this level they get penalties or removed from the contract factory base. <i>Bronze</i> : Full compliance with Nike's Code of Conduct – <i>Silver</i> and <i>Gold</i> reflect an additional commitment to lean manufacturing and progressive manufacturing, and other factors related to Health & Safety and Environmental Sustainability. Several partnerships, e.g. fighting aids in cooperation with Converse, which will <i>leverage brand power</i> .
VALUE CAPTURE	Nike is delegating a considerable amount of resources into ENPD and R&D which obviously changes the cost structures Can have an effect on the bottom line as increased costs Nike believes this will eventually pay off in the long-run		Eliminating inefficient factories can reduce costs. Societal projects can increase costs. Benefits through leveraged brand power.

Overview of analyzed retailers

The table provides a comprehensive summary of the analyzed retailers, and shows selected responsible business practices among the sample companies. Furthermore, the table illustrates how the six models are categorized through various responsible business practices. In general, large companies fall into multiple categories, while smaller companies fall into one or two categories.

Company	The Re-Inventor	The Green Enthusiast	The Teacher	The Problem-Solver	The Supply Chain Manager	The Team Player
1 Nike (Knoblauch, 2010; Nike, n.d.-a; n.d.-b)	Environmental new product development (ENPD). Use of recycled plastic bottles.	ENPD. Cut emissions. Reduce climate impact. Innovative methods to reduce environmental footprint.	Active dialogue w/customers. Running application.	Child obesity. Fighting for equal gender rights. Make the society more active.	Improve labor conditions. Code of conduct. Health & Safety & Environmental sustainability. Directing work towards factories that are rated as «bronze» or over.	Cooperation w/the American College of Sport Science. Fight aids in collaboration w/Converse (leveraging brand power).
2 Zara (Zara, n.d.)		Organic cotton + eco-friendly materials. Recycling waste. Reduce emissions.	Labelling sustainable clothes for customers. Information + training campaigns for employees.	Animal welfare policy.		
3 Marks & Spencer (M&S, n.d.)	ENPD. Shwopping.	Sustainable cotton. Solar energy. Sustainable fishing. ENPD.	Fair trade.	Fair trade. Inclusive recruitment.	Fair trade. Local community support in supply countries. Offering training of leadership skills.	Partnerships w/ e.g.: WWF, UNICEF
4 Levi Strauss & Co (Levi Strauss & Co, n.d.)	ENPD.	ENPD. Minimize/eliminate hazardous chemicals. Goal: Use 100 % renewable energy. Energy efficiency. Tracking direct/indirect emissions.	Message to consumers. “A care tag for the planet”. “Dirty jeans manifesto”.	Employee community involvement.	Improve lives of workers, empower with the tools they need to lead healthier and more productive lives. Transparency.	Working w/other brands, e.g. H&M.
5 Stormberg (Stormberg, n.d.-a; n.d.-b)	ENPD.	Eco-friendly shopping bag. ENPD. Avoid transportation by plain. Emission quotas. Renewable energy. ENPD/Closing the loop.	Blog for communication w/customer. Transparency.	Animal welfare policy. Inclusive recruitment. 1 % of sales is given to humanitarian projects.	Factory overview + controls. Public factory list. Transparency.	Partnerships: FFA, UN’s Global Compact, Nav, IEH
6 H&M (H&M, n.d.-a; n.d.-b)	Closing the loop.		Blog. Provide fashion for conscious customers.		Transparency. Fair wages. Continuous improvement programs. Code of conduct.	Wateraid partnerships. Collaboration w/UNICEF. Partnerships w/other large brands.
7 IKEA (IKEA, n.d.-a; n.d.-b)		Green products (solar panels, LED). Renewable energy. Resource + energy efficiency.	“Sustainable life at home”		IWAY-standards.	Partnerships e.g. w/WWF
8 L’Occitane (L’Occitane, n.d.)	ENPD.			Philanthropically commitment. Charitable donations. Supporting projects, helping visually impaired persons. Inclusive recruitment.		

9	Walmart (Knoblauch, 2010; Walmart, n.d.)	Trade-programs for customers.	Sustainable food. ENPD.	Sustainability index for customers. Offering customers choices + transparency into product's origin.	Inclusive recruitment.	Transparent supply chain. Empowering women. Support farmers and communities.
10	Staples (Staples, n.d.)		Eco-friendly products. Resource + energy efficiency. Alternative energy sources.	Encouraging customers w/sustainable solutions.	Inclusive recruitment.	
11	Nestlé/Nespresso (Nestlé Nespresso, n.d.-a; n.d.-b)		Greener coffee. Capsule recycling. Carbon reduction. Managing water use in farming. Control soil fertility + limiting chemical input.	Making customers acknowledge own impact.		Care program. Farmers are trained to be more environmentally + socially responsible. Innovative programs.
12	Adidas (Adidas Group, n.d.)	Sustainable innovation. ENPD.	ENPD. Zero discharge of hazardous chemicals.			Supply chain management. Workplace Standards.
13	Holala Vintage Clothing (Holala Vintage Clothing, n.d.)	Sustainable footprint-project Second-hand/vintage. Reuse + recycle.	Reuse. Recycle. Circular economy.			
14	Inditex (Inditex, n.d.)		Green standards for products.	Invest socially to connect to communities.		Ethical value chain. Training of suppliers.
15	Canon (Canon, n.d.; 2015)	Close the loop recycling process.	Team promoting environmental concerns. Eco-conscious logistics.	Helping customers achieve sustainability. Distributing information on eco-friendly products. Education for employees.	Contributing to local communities in need. Donating solar lights to communities without electricity. Inclusive recruitment.	Partnerships w/local NGO's.
16	L'ORÉAL (L'ORÉAL, n.d.)		Reducing packaging. Renewable energy. Biomass plant.			
17	The Body Shop (The Body Shop, n.d.)		Energy efficiency. Solar panels + LED-lights. Video-conferences.			
18	MAC (Tse, 2013)			Encouraging consumers to waste less. Back-to-MAC-program.		MAC Aids Fund
19	Best Buy (Best Buy, n.d.-a; n.d.-b; Macleans.ca, 2014)	Reuse, recycle electronic devices	Waste minimization.	Employee engagement (sustainability scorecards). Education + training.	Community-investments programs helping youths with education.	Supplier audits. CSR-team in supply-countries. Code of conduct. Risk assessment of suppliers.
20	Target (Target, n.d.)	ENPD.	ENPD. Improving packaging. Efficient transportation. Measuring impact – Higg Index.	Sending messages to customers on clothing-labels.		Partnerships. Founding member of Sustainable Apparel Coalition (SAC).

21	GAP (GAP, n.d.)		Sustainable product index. Solar energy. Recycling + composting. Quantifying environmental impact.				Personal advancement & career enhancement program for women. Monitoring working conditions. Provide training for suppliers. Social compliance monitoring process w/committee.	Founding member of SAC. Partnerships for safety conditions. Partnerships. E.g.: Alliance for Bangladesh worker safety.
22	Kohl's (Kohl's, n.d.)		Environmental requirements for suppliers.					Partnership and industry collaboration. E.g.: SAC
23	REI (Knoblauch, 2010; Marre, n.d.; REI, 2015)		Waste policy. Measuring impact with indexes. Renewable energy. Electricity efficiency.				Inclusive recruitment. Community partnerships.	Collaborative sustainable business strategies.
24	Lowe's (Marre, n.d.; Lowe's, n.d.-a; n.d.-b)		Sustainable products. Efficient technologies.				Community projects.	
25	Patagonia (Knoblauch, 2010; Patagonia, n.d.-a; n.d.-b; Cheeseman, 2013a)		Organic cotton. Fair trade.				Gives 1 % of sales to support organizations around the world.	Partnerships. E.g.: Fair Labor organization. Better Work Program.
26	Timberland (Knoblauch, 2010; Timberland, n.d.)	ENPD. Using waste to make new products.	Provide consumers with visibility into the footprint. Generating outcome-oriented dialogue w/customers. Surveys and focus groups.				Partnerships with suppliers that specializes in innovative fabrics. Supplier sustainability team to ensure safe workplace.	Partnerships. E.g.: SAC
27	Fretex (Fretex, n.d.)	Second-hand. Reuse + recycle.	Recycle + reuse.				Inclusive recruitment. Exporting textiles to other countries in need.	
28	Kiwi (Kiwi, n.d.)		Facilitating recycling of electrical products.				Supporting projects.	Partnerships w/UNICEF, Red Cross.
29	Gildan (Gildan, n.d.; Maccleans.ca, 2014)		Eco-friendly materials. Renewable energy. Waste management.				Donations focus on youth education and humanitarian aid.	Partnerships. SAC.
30	KESKO (KESKO, n.d.-a; n.d.-b)		99 % of waste is recycled. Improve logistic systems to throw less. Energy efficient buildings and solutions.				Recruit young employees. Actively monitors and anticipates social changes in cooperation with stakeholders.	
31	VarnerGruppen (VarnerGruppen, n.d.)		Reduction of environmental impact.				Animal welfare.	Ethical trade + responsible value chain. Routines for controlling factories.

32	Gaiam (Knoblauch, 2010)		Renewable solutions. Eco-friendly materials.	Help consumers reduce environmental impact.			Partnership w/Conservation Fund to launch “sustainable shipping” Partnerships.
33	American Apparel (Knoblauch, 2010)		Recycling. Energy efficiency. Solar panels.	More sustainable workforce: Encourage employees to choose eco-friendly transportation.	More sustainable workforce		
34	NAU (Knoblauch, 2010)		Sustainable and durable fabrics. Cut emissions. Recycling.	Encourage employees to use public transit.	2 % of every sale is donated to humanitarian and environmental groups.		Partners for change.
35	LUSH (Knoblauch, 2010)		Reducing packaging. Recycled materials.		Supporting animal right + humanitarian concerns.		
36	The Green Depot (Knoblauch, 2010; Green Depot, n.d.)		Green, sustainable, products.				
37	Johnson & Johnson (RILA, 2015)		Renewable energy.				
38	Coca Cola (RILA, 2015)		Climate pledge. Reduce environmental footprint.				Founder of several platforms for increasing retail sustainability.
39	APPLE (Apple, n.d.-a; n.d.-b; RILA, 2015)		ENPD. Renewable energy.	Programs to educate and empower workers.			Supply chain management. Supplier Employee Education Development program. Code of conduct. Suppliers must demonstrate commitment.
40	VITA (Vita, n.d.)						Ethical trade. Improve initiative for better work and environmental circumstances in their value chain.
41	Juntos Shoes (Taylor, 2015)				One-for-one model: For each pair of shoe sold, a supply-filled backpack is donated to a child in need.		
42	Out of Africa (Taylor, 2015)				Improve quality of life for West African women and children.		
43	TOMS (TOMS, n.d.)		Sustainable sourced coffee beans.		One-for-one model. Product development starts with identifying a global need. Production countries are chosen according to a societal challenge: Provide work and economic value.		Production countries are chosen according to a societal challenge: Provide work and economic value.

44	Twilory (Taylor, 2015)					Donates to various organizations. RE: Purpose program: Getting people back to work.		Partnership w/Career Gear.
45	Loblaw (Maccleans.ca, 2014)	Reduce number of plastic shopping bags.		Reduce number of plastic shopping bags in collaboration w/customers.		Protect suppliers.		
46	Canadian Tire Corp. (Maccleans.ca, 2014)	Solar panels. Renewable energy. Recycle waste.						
47	Rona Inc. (Maccleans.ca, 2014)	Eco-line of products.	ENPD.				Member of Boreal Business Forum.	
48	Image Outfitters (Maccleans.ca, 2014)				iShare: 10 % of the total sale amount for new customer orders is donated to the charities of the customer's choice. Donations to local charities.			
49	Rainbow Light (Taylor, 2015)	Recycled packaging.		Committed to improve the health of customers.	Committed to improve the health of customers, trade partners, global community and the planet. Fight global malnutrition.		Circle of Care Initiative.	
50	Altered Seasons (Taylor, 2015)				One-for-one model: For every candle sold, a meal is provided to a person in need.		Collaboration with Feeding America.	
51	Children Inspire Design (Taylor, 2015)	Recycled + eco-friendly materials and packaging.	ENPD.					
52	Cole and Parker (Taylor, 2015)				From every sock sale small loans for entrepreneurs in developing countries are provided.		Partnership w/micro finance organization.	
53	Gift of Happiness (Taylor, 2015)			Progress bar: Customers can check to see how much closer their favorite causes are to reach their funding goals.	5 % of every purchase is listed to charity of the customer's choice.			
54	Headbands of Hope (Taylor, 2015)				Donates a dollar of each sale to childhood cancer research			
55	Osmium (Siegel, 2014)	Eco-fashion. ENPD.						
56	DELL (Cheeseman, 2013b)	Sustainable packaging. Waste-free packaging.						
57	Kroger Co.	Converts food into energy. Resource + energy efficiency.						

	(Cheeseman, 2013b)										
58	Costco (Costco, n.d.)									Focus on fair living wages for suppliers above average level	
59	Safeway (Vijayaraghavan, 2012)										
60	Abercrombie & Fitch (Abercrombie & Fitch, n.d.)				Reduce use of: Water, carbon, energy, pollution. Reuse and recycle.				Inclusive recruitment.		
61	DIOR (DIOR, 2012)							Social dialogue w/customers.		Initiatives on: Human rights, working conditions on health & safety, non-discrimination policy, skills development, relations with third parties.	Relations with third parties related to supply chain initiatives.
62	Sainsbury (Gettler, 2015)				Sustainable food. Responsibly caught tuna.						
63	Zappos (Gettler, 2015)				Green technology at headquarter. Waste management plan.						
64	(Gettler, 2015) RocksBox (Rocksbox, n.d.)				Collaborative consumption: Allows subscribers to access a "personalized rotating closet" sent in sets of three at a time						
65	Farmers market (Gettler, 2015)				Sustainable agriculture.			Promote social and educational way to shop.	Improve nutrition.		
66	Tesco (Felsted, 2012)				Energy efficiency. Reduce carbon emission. Solar panels.						
67	Kingfisher (Felsted, 2012)				Geothermal energy. Eco-stores.						
68	Lotte Shopping (RSA Group, 2012)										Partnerships.
69	Macy's Inc. (Macy's Inc., n.d.)				Eco-friendly packaging. Reduce energy use. Solar systems. Sustainable building materials. Own brand: Sustainable choice. Sustainable materials.			Encourages customers to choose green alternatives.	Social projects: Macy's Path to Peace, Macy's Heart of Haiti.		Partnerships. E.g.: Recycleback
70	Linindex (Linindex, n.d.)									Own teams in supply countries.	Partnerships. E.g.: School of Hope
71	Mango (Mango, n.d.)				Reduce carbon footprint. Projects for offsetting CO2 emissions. Product health and safety standard. Own research institute for CSR.			Own research institute for CSR.	Own research institute for CSR.	Code of conduct. Own research institute for CSR.	Partnerships to improve safety conditions in supply countries.

72 Princess (Princess, n.d.)	Products are labelled as green	Reducing supply chains in order to gain more control.	IEH.
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Appendix 3: Findings from in-depth interviews

These findings summarize and categorize our findings from the in-depth interviews. The findings are categorized and coded according to the five stages of the business model innovation framework: (1) Initiation, (2) Ideation, (3) Integration, (4) Implementation, and (5) Continuous business model innovation. If the reader has further interest in the full transcripts of the interviews, please contact us at silje.s.moe@gmail.com or ac.rosenqvist@gmail.com.

Notations used:

IKEA: Anders Lennartsson, Sustainability Manager, IKEA Norway

H&M: Benedicte B. Eie, Sustainability Manager, H&M Norway

Stormberg: Jan Halvor Bransdal, CR Manager, Stormberg

Gramstad: Camilla S. Gramstad, Environment and CSR Responsible, Virke Trade Organization

Topic		Company	Quote
Initiation: Understanding the Need for Change			
Ignorance	Lack of business model innovation can be due to a misunderstanding of the advantages from a responsible strategy	Gramstad	<i>Some retailers have not figured out that they can use CSR as a reputation and competitive advantage.</i>
Ignorance	Retailers blame the consumers for not being mindful, while consumers blame retailers for not taking responsibility	Gramstad	<i>Retailers often claim that consumers do not demand it, and the consumers claim that they do not have any opinions because retailers have not facilitated CSR. Retailers therefore blames little awareness among consumers, which I believe is wrong.</i>
Top drivers	Research has shown that morality and profitability are the top drivers	Gramstad	<i>In Virke's survey, a list presents motives behind CSR. "Because it is morally correct" is on the top, and the second highest reason is "because it is profitable".</i>
Strategic motivation	The business perspective is a long-term realization that unsustainable operation cannot continue	H&M	<i>The first objective is driven from a business perspective. Companies like H&M, working in the textile sector, consume a lot. We are a very resource demanding and material intensive sector. In addition, we are also linked to several extreme social challenges. If we are going to run in this sector as a family business [...] we have to do something.</i>
Entrepreneurial vision	Responsible business practices from the start, lead by the entrepreneur	Stormberg	<i>Our entrepreneur and our present leader established the company's responsible vision. Eventually, the company grew from being a company with four persons, to become a company with 400 persons. It is therefore clear that there has been a certain development. However, the core values and foundation have been more or less the same since the beginning.</i>
Internal drive	Lack of control created an internal need	H&M	<i>It was a wish for change, because there were many things we did not have fully control over. One got an insight into how things were [...] Hence, it was based on an internal need. On the other hand, this was also a start for the external awareness about these issues. Many realized that the whole industry had some challenges that needed to be dealt with</i>
Internal drive	The driver for responsibility can come from employees, both on the management level, and at lower levels	IKEA	<i>The strongest driver comes from within. It comes internally from both the management and the employees [...] Employees are expecting us to take responsibility, and they often want to participate in taking responsibility. The management is also an important driver, and they understand that this is about thinking in long-terms</i>
Profitability	Profitable in the long-run	Stormberg	<i>Firstly, I think it is important for all companies regardless of industry. Secondly, I believe that showing CR actively is not only important, but also profitable.</i>

First mover advantage	Being a first mover in responsible practices can lead to competitive advantages	H&M	<i>[...]it has a competitive objective. H&M wants to be the first mover on these areas.</i>
Disrupters	Market potential which lies in establishing businesses based on solving world problems	Gramstad	<i>Companies should not underestimate the huge market potential that lies in establishing businesses based on solving world problems. For example environmental technology or social entrepreneurship. I think this is a huge market and that it is possible to earn profits by solving world problems.</i>
Attractive employer	Importance of being perceived as an attractive employer	H&M	<i>The second objective concerns HR activities: To be an attractive employer and an attractive workplace. I personally, would not like to work only to make a wealthy man even wealthier. I want to feel that I am part of the right team.</i>
Brand image	A responsible profile has an effect on how consumers perceive the brand	H&M	<i>The third objective concerns customers, which is a given. However, we have seen that this is not specifically sale triggering. Nevertheless, it has a lot to do with our brand equity and image in the long term. We now see that more and more people are engaged in these issues.</i>
Brand Crisis	The textile industry experiences external pressure, and triggers responsible business practices	Stormberg	<i>The textile industry in particular has received a lot of attention in different forums for many reasons. Partly because of a strong focus on labor conditions. Especially in manufacturing countries, such as China and Bangladesh, where a lot of the production is done.</i>
Brand crisis	Reputation crisis as an initial trigger for responsible operations	Gramstad	<i>Changes often happen after a company has had a reputation crisis. If someone is busted for something, it becomes natural to see the need for a CSR-strategy. However, companies should think ahead. There should not be a need for a reputation crisis first.</i>
Brand Image & External pressure	Being a popular brand coexists with external attention, which strengthens the driver for being a responsible retailer	IKEA	<i>It is clear that an external pressure is something all companies experience. IKEA has experienced it at least. We have a quite popular brand that receives a lot of attention. Evidently, sometimes too much attention, because the external attention and our internal activities may not always be proportional. On the other hand, our brand image, as well as our large company size, gives an opportunity to impact other stakeholders and partners.</i>
External pressure	Easier to criticize retailers who are communicating about their responsible business practices, hence, many stay under the radar	Gramstad	<i>I think many retailers find it comfortable to stay under the radar. If companies start to communicate what they are doing, it is easier to criticize them for not doing enough. We can for example see how much critical focus there has been on H&M, and they are probably the best ones in the industry. For these reasons, many companies find it comfortable to stay out of the radar. However, many companies think CSR does not concern them.</i>
External pressure	BMI can be triggered by external pressure, but many retailers do not realize it until it is too late	Gramstad	<i>There is not so much business model innovation in retail. There is a need for external pressure, and I am afraid that environmental challenges, resource scarcity, will be the turbulence that will change the business model in retail.</i>
Brand crisis	Child labor and challenges concerning human rights has triggered the need for change	IKEA	<i>Environmental concerns and CSR became critical when use of child labor was discovered, and IKEA became a focus in the media. The easy way out would have been to ignore this, or exit the factory and cancel the contract with the supplier. However, we decided that we needed to find a solution.</i>
Customer loyalty	Customer loyalty can increase due to associations with a good conscience and the brand	H&M	<i>“No-one sits at home on a Friday night and thinks: Now, I have a real craving for “sustainable pizza”. First of all, you are hungry for pizza. However, after you have finished eating your delicious pizza, it gives you a great feeling to know that the ingredients used are developed in a responsible way. And that this is good, not only for your own health, but for the planet that we live on. Consequently, this may be the reason to why you come back again.”</i>
Customers' attachment	Consumers are personally attached to clothing and will therefore engage in CSR issues concerning the textile industry	Stormberg	<i>Clothes are something that people use in their daily lives and therefore something people have a personal relationship with. This makes CR [Corporate Responsibility] into something that engages people, and has therefore given the textile industry a special focus.</i>
Ideation: Reframing Beliefs			
Reframing beliefs	While searching for externalities, one must reframe beliefs about current operations. A crucial factor is to realize the impact the company has on stakeholders/environment, and that the company must take responsibility for this impact	Gramstad	<i>I believe that every company must be able to see “what concerns me?”. Companies must ask themselves: Who might my company impact? And, do something better for?</i>

Business Concept	Business in itself creates value for the society, through value creation and workplaces	Gramstad	<i>I hope more people will see all the positive things that businesses actually contribute with. Businesses contribute with workplaces, value creation, and including those who stand on the outside, contributing to the society as a whole.</i>
Business concept	In any business model, the concept must be coherent. Therefore, the ideation should also focus on how to integrate responsibility in the traditional concept and vision	IKEA	<i>I am happy to work in a company that has responsibility in its vision. When IKEA was build, many people were dedicated to create a better daily life for the people. This is IKEA's vision. It still holds to this day, and will always be a central part of the company.</i>
Business concept	The responsibility should closely connect with the business idea, in this way, practices will have a coherent strategy and concept	IKEA	<i>Some companies base their interpretation on the customer's demands. Of course, we also listen to our customers. However, I think it is important that sustainability is closely connected to the business idea. In this way, one has its own perception of what is good and what is not.</i>
Customer Value Proposition	The responsible strategy must co-exist with the business' job to be done in the market, continuing to fulfill customers' needs	H&M	<i>We can make ecological products, and produce with recycled cotton, but if the clothes do not look good, it is pointless. There is only a small part of the population that wear clothes just because the clothes are sustainable. The rest of the population wants to look good. Hence, H&M aims at being the fashion destination number one. However, we must deliver quality and fashion in a sustainable way.</i>
Visualizing responsible business practices	Conceptualize the business' meaning of and for responsibility. Companies often lead a holistic view	H&M	<i>In general, there are two core areas: Taking care of people and the environment. This involves working from the start of the value chain, not just with stores. In addition, we also have to focus on what happens after the products leave our stores. This is quite important, because we realize that we have a responsibility, and we want to take responsibility all the way.</i>
Visualizing responsible business practices	Defining and visualizing the meaning of responsibility for the business as a whole, guides the way for further integration	IKEA	<i>We have a global strategy called "People and the Planet", which is a good example on how we think around the issue of sustainability. For many companies this issue is about reducing and minimizing the impact on the environment. We go a bit further though. For us this issue is about having a positive impact on people and the environment.</i>
Visualizing responsible business practices	Responsibility should be integrated in the customer value proposition	IKEA	<i>Most customers want to come to one of our warehouses and feel a sense of assurance that what they purchase is sustainable. Namely, that they do not feel a need to check the price tag for the materials used. They can buy whatever they like, and feel secure that we take responsibility for the products being sustainably produced.</i>
Visualizing responsible business practices	During the ideation phase one needs to set a clear vision of how integrated the strategy should be – concerning own operations, the community, etc	IKEA	<i>We have a global strategy called "People and the Planet", which is a good example on how we think around the issue of sustainability. For many companies this issue is about reducing and minimizing the impact on the environment. We go a bit further though. For us this issue is about having a positive impact on people and the environment. In other words, that we have a net positive impact on people and the environment. Obviously, this ambition is quite big, but we are convinced that we can carry this out. We are already on a good path in many areas.</i>
Visualizing responsible business practices	Companies are taking a more holistic approach, and thus greater responsibility	Gramstad	<i>I think another trend is that the biggest actors are going from stating "we will minimize our negative impact on the society" to stating "we are going to have a net positive impact on society". Coca Cola and H&M are examples of companies that are stating this. In addition, IKEA, is stating that "our business will not have a negative environmental footprint, we are going to contribute positively". Coca Cola wants to contribute in saving more water than all the water they actually use to make coca cola.</i>
Prioritizing responsible practices	As many researchers say, ideation is closely connected to the implementation process, because this is where a balanced prioritization is found	IKEA	<i>The implementation of practices has a lot to do with priorities though. There are numerous things we want to do in this company. We therefore need to find a balanced prioritization of all the things we want to do.</i>
Prioritizing responsible practices	One must prioritize what to do, in order for the chosen practice to have full effect	H&M	<i>In general, one third of the LCA [Life Cycle Analysis] impact lies in the production of cotton, one third lies in the production of the physical clothing, and one third is connected to the consumption phase. Hence, it is important to consider what happens after consumption, for example what you do with your washing machine at home.</i>
Prioritizing responsible practices	The process must include evaluating what challenges that lies in the market, to prioritize practices correctly	Stormberg	<i>Obtaining control over a supply chain, and in that way actively engaging in work with ethical trade of the supply chain, is a huge challenge. The textile industry is struggling with this. Because it is hard to obtain control. We address these issues actively, but it probably is the greatest challenge that I work with on a daily basis.</i>

Prioritizing responsible practices	Analyzing the effects of practices and dividing resources to where it is needed	H&M	<i>This is about making the large and good initiatives scalable, because we cannot do good in a so called niche-market if we want to make a real impact.</i>
Prioritizing responsible practices	Visualizing impact through thorough analysis of your impact, e.g. through an LCA analysis	H&M	<i>If you take a look at our Life Cycle Analysis (LCA) of clothing, transport is a minimal part of this. However, producing clothes or cotton is extremely resource demanding, and therefore important to focus on. To extract the raw material, making it into fabric, spinning the fabric, weaving the fabric and then produce the clothing, demands a lot of resources.</i>
Experimentation	The customer value proposition can be experimented with, in order for the offering to have responsible practice attached to it	Stormberg	<i>In general, one third of the LCA impact lies in the production of cotton, one third lies in the production of the physical clothing, and one third is connected to the consumption phase. Hence, it is more important to consider what happens after consumption, for example what you do with your washing machine at home.</i> <i>We try to make our clothes in the most sustainable and best way as possible. We also try to deliver high quality products, in order for them to last longer. In addition, we have a return-back policy that makes it possible for customers to deliver products back to us, giving these products a "new life".</i> <i>When customers return something back, they receive credit. We therefore focus on that customers should purchase with awareness.</i>
Experimentation	Before a responsible practice is launched, experimentation of different solutions can, and should, be used	Stormberg	<i>We are trying to carry out negotiations that will result in a fair price on the product, which also makes it possible for the producer to receive a fair payment. This is important in order for the producer to pay living wages to their employees and facilitate proper working conditions at the factories that produce Stormberg's products.</i>
Experimentation	There are benefits connected to engaging customers. Engagement needs experimentation, in order to find sources for involvement	H&M	<i>We have a lot more to gain from engaging the consumer in a fun, more human, jovial and simpler way. We have to meet the customers where they are. Today, only the "nerds" go into our webpage to locate information, and these will find the information regardless of channel. My goal is to reach all kinds of people, not only the nerds.</i>
Experimentation	Finding solutions for problems through experimentations	IKEA	<i>Solutions were found through contact with global and local organizations. We tried to improve the security, in order to ensure that no child labor was being used in the production.</i>
Integration: Delivering a Strategic Approach			
A cyclical approach	Challenge: Retailers do not facilitate the strategy according to a plan	Gramstad	<i>There is more action than action plan. Companies just do it, but they have no deliberate strategy around the fact that "this is our social responsibility - let us build our reputation around it".</i>
A systematic approach	To keep track on the progress it is important to have a clear plan and vision, to not be sidetracked along the way	IKEA	<i>I think it is important having an own base to stand on. Or else it is quite easy to end up in "one day the focus is on this issue, and the next day the focus is on another issue".</i>
A systematic approach	Holistic approach divided in four main strategic areas	Stormberg	<i>We have tried to have a holistic approach. But on a general level we have divided this into four main areas, which are: Climate and environment, Ethical trade, Inclusive employment and the 1 % rule, that is, the support we give to other humanitarian social purposes</i>
A systematic approach	Holistic strategy with three change drivers	IKEA	<i>Our strategy, People & Planet Positive, is comprehensive and pretty much illustrates what IKEA does [...] Here, we have three change drivers: "Enable people to live a more sustainable life at home", "Energy and resource - Becoming energy and resource independent" and "Better life for people and communities". [...] We also have a global project called the "IKEA Foundation". This foundation works with global partners, for example UNICEF and Save the Children.</i>
A systematic approach	Holistic approach with seven focus areas	H&M	<i>We have divided our focus areas into seven groups. However, in general there are two core areas: Taking care of people and the environment.</i>

Evaluations	Following regular evaluations on the progress helps the retailer to conceptualize the transformation	H&M	<i>We receive a report every quarter, which shows how much CO2 that has been used. We also have clear goals on how much we should collect in our clothing-collection in stores. Further, we measure the number of employees that have participated in our online course on consciousness. We also have targets on how employees and customers perceive the level of sustainability at H&M.</i>
Evaluations	Revisions of the current strategy can help managers to locate less efficient practices	IKEA	<i>We had two revisions of the strategy. The first time was in 2013, and the most recent was last summer. Food, for example, was pointed out during the second revision, as we understood that food has a considerable impact on our brand, the environment and people. Hence, we marked this field of operation and gave it greater priority and focus. This will probably happen with other issues in the future. Our strategy is always open for new additions.</i>
Evaluations	It is normal to have evaluations on employees concerning the responsibility, in order to quantify the effect	H&M	<i>Everyone in the corporation are measured on four C's. These are cash, customer, colleagues and consciousness. Hence, being conscious is one of the four pillars we are being measured on. From what I have seen and experienced, I have learned that there is a need to quantify and measure, in order to get things done.</i>

Implementation: Going from A to B

The importance of Risk Assessments

Frequency	Very few have done a risk assessment connected to externalities	Gramstad	<i>I am surprised that very few have done a risk assessment.</i>
External pressure	Easier to criticize retailers who are communicating about their responsible business practices, hence, many stay under the radar to avoid the risk	Gramstad	<i>I think many retailers find it comfortable to stay under the radar. If companies start to communicate what they are doing, it is easier to criticize them for not doing enough. We can for example see how much critical focus there has been on H&M, and they are probably the best ones in the industry. For these reasons, many companies find it comfortable to stay out of the radar. However, many companies think CSR does not concern them.</i>
Defining risk	The risk is to not do anything	H&M	<i>However, for us, the risk concerns the negative effects of not doing anything rather than doing too much.</i>
Customer perception	Active and efficient communication to get rid of unfortunate associations	H&M	<i>We should work better with showing our sustainability work. People do not normally think that we are doing too much - we should rather work with efficient communication showing the things we are doing well.</i>
Stakeholder perception	Being "responsible" often means that the public places intentions on retailers that may not be true	H&M	<i>I travel around the country and participate in panels. I gladly discuss the path towards the solutions, but I dislike it when people place intentions on us that are incorrect. To explain, it is common that people perceive us as a large corporation solely focusing on earning money, and not taking care of the people or the planet. Let us discuss the solutions, rather than talking about our intentions for us. Let us agree on the visions, and then we can disagree on the road towards them.</i>
Stakeholder perception	Perceptions made by stakeholders can be managed by actively influencing them, through all channels. For retailers, this is especially done through front personnel in stores	Stormberg	<i>Employees who sell our products regularly try to acquire products the value we attach to them, for example that they are climate neutralized and that we have an active ethical framework. [...] In this way employees are contributing in promoting Stormberg's public image. All departments are therefore taking a position on this. They are also taking a position towards this in contact with third parties, for example in contact with suppliers, customers and other partners.</i>
Managing risk	The risk assessment concerns the entire value chain, however, most retailers do not own all of their operations facilities. Thus, the external partners need to be on board	H&M	<i>H&M does not own the entire value chain. A change as the one in 2012, when we made our supplier list public, is a huge process. We have to go through a process like that in cooperation with our suppliers, to ensure that they are on board with such change. They must be aware of what it means to be placed on this list.</i>
Managing risk	Transparency is a strategy for reducing the risk of unfortunate focus. Using public supplier list as example	H&M	<i>Moreover, transparency is a clear strategic move. One can for example see the effects of public supplier lists. This is also a risk assessment, which we concluded to having a net positive effect.</i>

Managing risk	One way of managing risk is to identify main challenges that must be under control. For many retailers, this concern supply chain management	Stormberg	<i>Within ethical trade there are huge challenges. Especially for the textile industry. In general the textile industry has a very long supply chain, with a lot of the production placed in Asia. These supply chains are numerous and quite complex. It is also common to have a supply chain that changes, which makes it hard to obtain and gain control over it.</i>
Managing risk	Leading a holistic view of responsible practices makes the retailers focus on, not only their brand image, but also their effects on other parties throughout their value chain	IKEA	<i>It is clear that having suppliers in other countries, for example in Asia, can result in some challenges. In China, for example, there has been some issues concerning work hours. We have recently been working with reducing the work hours. We decided that the hours should not exceed 60 hours per week, and later we reduced this limit to 48 hours per week. This is obviously positive. However, it becomes a problem when the consequence is that the workers earn less money, and are therefore naturally against it. Their goal is to work as much as possible, during a short period of time, in order to provide for their families. When IKEA, on the other hand, decides to reduce their legal amount of work during a week, it becomes a challenge. Due to this challenge we have managed to increase the salary though, in order to make it possible for the workers to earn an equal salary, with less working hours.</i>
Managing risk	Managing risk to secure that suppliers follow standards (supply chain management)	IKEA	<i>Code of Conduct, or IWAY, as we call it today. These are requirements that we are demanding our suppliers to follow, and concern requirements regarding environment and working conditions, for example the prohibition of child labor.</i>
Risk assessment	The assessment of a supply chain is about allocation of the risk factors. This may lead to several factors identified, where all needs to be dealt with	IKEA	<i>In general I believe that supply chain management is the greatest challenge. For example, we do realize that we need to go further up the supply chain in order to ensure that our food is correctly produced. It can be quite complex though, as there are a lot of resources required in order to create this transparency, and there is a need for knowledge about animal welfare, for instance. It is no longer an option to blame some other brand or supplier that is delivering your products, there is a need for some sort of external control from your end throughout the chain.</i>
Risk assessment	New operations must be aligned with the responsible strategy to eliminate risk	H&M	<i>Firstly we decide whether or not to enter Ethiopia at all. This actually requires two years of analytical work, in order to gather sufficient information on different aspects. What are the greatest risks? What challenges are we facing? How is this done in practice? For example, Ethiopia does not have a minimum wage rate, how should this then be decided? What is the living wage? What should we use as a benchmark? The main point is, our evaluation concerns every aspect.</i>
The Importance of Management Support			
Executive management	A critical resource is management commitment, and broad involvement of employees	Gramstad	<i>Management commitment. Having someone that is responsible for that area, broad involvement of employees, and expertise. In addition to being able to see what CSR can lead to, because a lot of this is not easy to measure at the bottom line. For example, good reputation and pride among employees</i>
Executive management	Whether or not CSR is on the company's agenda is up to the leader	Gramstad	<i>I also believe that it is up to the leader, whether or not CSR is on the company's agenda. This is the responsibility of a leader. In this area, I believe leaders have a huge potential of improvement in understanding that there are many benefits to be gained. For example through better reputation.</i>
Executive management	The CEO should be both passionate and willing to make necessary investments	H&M	<i>I think it is essential to have a top leader that is really dedicated and passionate about this, and that is willing to make the necessary investments.</i>
Executive management	For a change in mindset, leaders must function as enablers for change	IKEA	<i>Signals from leaders are important for a further change in mindset, seeing that these individuals take form as "enablers" in order to ensure that sustainability is correctly implemented. For this to have an effect it requires managers to actively communicate and show this in practice.</i>
Executive management	Discussion at board level is of importance	IKEA	<i>Sustainability is also a central area for discussion at all board meetings.</i>
CSR Responsible	The companies having a CSR responsible, or CSR team, have come a long way	Gramstad	<i>There are few companies that have their own employees who are responsible for CSR. Of those companies who have it, it varies if they are placed in the communication department or in the</i>

CSR responsible	Efficient use of employees: Teams leading the change, middle managers, experts in the field, etc	H&M	management. Or if it is in operations. And again, it varies in how many benefits that are gained from CSR. We are also fortunate that we have a large department in Stockholm, with dedicated persons divided on each country. I believe that this is an important resource for us, and critical for us in order to reach our goals. [...] This team consists of experts in the field, and they allocate different processes. Often we see that there is one passionate soul, often a young woman that is concerned with CSR and is lifting this up. However, if this person quits then the engagement stops. I believe that in this area, a company is dependent on someone that is constantly looking after and pushing, and gets CSR integrated, and not disintegrated. Leadership is important [for signal effect]. It does not necessarily have to be formalized by executive managers talking about sustainability, it might as well be informal settings led by other co-workers.
Enablers	The importance of an engaged and passionate soul integrating CSR	Gramstad	
Enablers	Co-workers throughout the company as enablers	IKEA	
The Importance of a Responsible Mindset as part of the Culture			
Resistance	Structural changes lead to internal resistance for change due to established mindsets	H&M	Structural changes are always present in such processes. It is natural that changes create internal processes, which in turn creates some resistance. Nevertheless, we are very lucky in having such a dedicated CEO, which is of huge importance when dealing with internal stakeholders.
Accountability	Ignorance of accountability as a challenge	H&M	I believe that this is an ongoing process in many ways. Having such a large department working with sustainability, makes it easy for others to believe that sustainability issues are being taken care of. For example by thinking "that is their field, that doesn't concern me". [...] Our practice of working on several levels is also challenging. Trying to make everyone accountable for our practice is a challenge. Everyone is a piece of the puzzle that we need to solve in order to improve our responsible practices. We have many messages and many goals we want to achieve. Consequently, this is an ongoing and long process.
Accountability	Incorporating accountability in values and business concept	Stormberg	Everyone has to relate to these things, whether one is an employee at a store, at a warehouse or stock, or at the headquarter. This is clear in our value document. There lies a clear vision and clear core values that everyone has to relate to. Sustainability and the business model that Stormberg works offer are clearly presented.
Accountability	Implementing values in the targets for the entire corporation	IKEA	However, we are certain that such mindset is quite integrated in our organizational culture. We have these values implemented in the targets for the entire corporation. Everybody is a part of this program, regardless of their function, and we all bear the responsibility for these targets to be achieved.
Accountability	Integration sustainability in job description	IKEA	Sustainability is present in the job description, in some way or another
Engagement	Sustainability as an integrated mindset in the organizational culture	IKEA	When it comes to motivation for specifically being sustainable or responsible these are not implemented in the KPI's. However, we are certain that such mindset is quite integrated in our organizational culture.
Engagement	Setting goals can be engaging, and setting the goal to a 100% creates a voluntary spirit and will lead to a more successful practice	IKEA	Our way of setting goals is often to "go all in", namely that our goal is to deliver one hundred per cent. Even though this might not be realistic in practice, we set our goals this way because it creates energy and engagement. If we reach 98 % it is a fantastic achievement regardless of our goal, an achievement that would never have been reached if our goal was 75 %. This can be compared to voluntary work in local communities, where everyone gathers to work together free of charge. In such a situation, everyone has to participate in order for this to function. With an end goal of 80 % it is not based on volunteers driving the transformation anymore.

Knowledge	Importance of sharing knowledge with employees	H&M	<i>My role is to communicate with our employees in stores. This is extremely important for us. The store is where we deliver our brand. Our annual sustainability report has no effect if employees at stores do not have insight into what sustainability is, if they merely say, "What, sustainability? Never heard about it".</i>
Knowledge	Increasing knowledge through e-courses	H&M	<i>We have a mandatory e-course: "Conscious for Beginners".</i>
Knowledge	Address one or two current sustainability issues at meetings	IKEA	<i>Rather, we must, in meetings address one or two contemporary issues in order to create or increase the awareness. The front personnel, for example in the kitchen department, they need knowledge about saving energy, or down to the production level of a carpet. We can definitely improve awareness and the level of knowledge throughout our chain.</i>
Knowledge	The importance of increasing knowledge among front personnel	H&M	<i>A huge challenge, especially in the retail industry, is communicating and reaching out to all of our employees. There is a lack of ways to connect with our employees. Meanwhile, customers are increasingly engaging in CSR issues. My job is therefore to engage employees working in our stores. Our employees should have insight in all of our work with CSR and sustainability</i>
Mindset	Integrate a responsible mindset among employees, as employees are the strongest resource	IKEA	<i>Employees are the ones who have to carry out the work, and if they do not perceive this as important or correct, then we are not headed anywhere.</i>
Mindset	Transforming the business concept and vision can lead to an overall change in mindset, on how priorities are made	H&M	<i>At one point we had a major change, that in many ways can appear as a symbolic change. Namely that we integrated sustainability into our business concept. Previously we stated that: We deliver fashion and quality for the best price. Now however, we have changed this to: We deliver fashion and quality for the best price, in a sustainable way.</i>
Mindset	A mindset focusing on CSR becomes an important resource	Stormberg	<i>Considering that CR has been firmly rooted throughout the organization, from top to bottom, this has become a large resource. This is also something we can use in all parts of the business, whether it is image building, streamlining operations, cost cutting, or making the world better for a lot of people. I absolutely believe this is one of the largest resources that we have, beyond human resources.</i>
Mindset	An internal drive from management and employees	IKEA	<i>It comes internally from both the management and the employees, however, at IKEA there is little difference between management and employees. We are all coworkers with a quite flat structure. Employees are expecting us to take responsibility, and they often want to participate in taking responsibility. The management is also an important driver, and they understand that this is about thinking in long-terms.</i>
Mindset	Basic foundation for prioritizing responsibility must be set, so that new ideation processes can be solved more effectively	IKEA	<i>The basic foundation for prioritizing correct is always present, to do the right thing is rooted in our organization. Consequently, when we come up with new ideas and plans it is all about explaining the practice and pitching in that these plans are good, not only for IKEA's operations, but for our commercial brand and the planet we live on.</i>
Mindset	Ideal mindset: Perceiving responsible business practices as long-term investments, rather than costs	IKEA	<i>Sometimes, it can be hard to gain commercial and financial benefits in a short period of time, it is often rather an increased cost. Therefore, our mindset is to look at such new practices and strategic plans as investments rather than cash flows of costs, in order to let the investments have an increased time for future pay offs.</i>
Pride	Pride among employees as a consequent of leading a responsible company	H&M	<i>To be an attractive employer and an attractive workplace. I personally, would not like to work only to make a wealthy man even wealthier. I want to feel that I am part of the right team.</i>
Pride	Increased pride among employees when they can participate in processes	Gramstad	<i>[...] pride among employees. We have seen several examples of this, when employees are able to take part in what the company does, they get engaged and proud. It is clear that this increases the productivity in the company. It is the same critical factor as in any other project or change process, you need commitment.</i>
Pride	Increased pride and feeling of ownership among employees when they can participate in processes and decisions	IKEA	<i>The managers at the warehouses know that they can encourage coworkers to come up with ideas on improvements, which also applies to sustainability.</i>

The Importance of Organizational Change

Process view	The CSR-pyramid shows how companies are struggling to fully shift their models	Gramstad	<i>There is a CSR-pyramid consisting of three levels. Level one is complying with rules and regulations, level two is about using CSR as reputation and communication, and level three is about using CSR as a strategic driver for the business. Many companies are struggling with just being at the first level, complying with rules and regulations.</i>
Process view	The stairway for business model innovation starts with internal processes and ends with BMI	Gramstad	<i>The sustainable business model-stairway: The first step is about what you do internally, the second step is about how you can impact producers, and the top is about how you actually change your business model. For example, leasing products instead of selling, in order to use less resources.</i>
Process view	Importance of patience in a BMI process	IKEA	<i>Certain issues require a longer timeframe for obtaining results, it is not possible to do everything at once.</i>
Process view	Some companies have incorporated the responsible vision into the business concept from the start, and therefore grow with the vision	Stormberg	<i>I think our core activities have been shaped to a certain degree. However, considering that we have grown with the strategy, the growth has happened naturally. When our first store opened and we expanded, there were external owners. In recent years, however, we have shifted towards owning our own stores. We now have much more control over that part of the business, considering that we now have all our employees integrated in our own organization. This has been quite affected by our strategy. Our inclusive workplace-policy has also been lifted by this. We have a significant pressure on this policy throughout the organization.</i>
Process view	Changing all facilities according to the responsible vision is a process that needs to be carried out, in order for a company to reach a higher degree of responsibility	IKEA	<i>The second one concerns "Energy and resource" or "becoming energy and resource independent". This area is huge, because it concerns everything, from use of raw materials to how our warehouses are operated. The main focus is on energy, and our goal is to be energy independent by 2020. This means that we are going to produce as much energy as we consume. We can not have wind power plants in our warehouses, but we have invested a lot in wind power plants all over the world. In the Nordic countries we are energy independent. We have a wind power plant in Sweden which produces the equal amount of energy that we spend in IKEA Nordic (Norway, Sweden, Denmark and Finland). [..] According to the prognosis, we are on a good path towards reaching our goal concerning energy independency. IKEA has around 380 warehouses around the world, in addition we have factories, that is, our own IKEA factories which produce around ten per cent of our furniture. This is called "IKEA industry". Our own factories are part of this goal. This means that there are many units, and a huge amount of energy that needs to be renewable.</i>
Structure: Value chain	Having a real impact on producers that are more concerned with profit is very challenging. Which leads to a feeling of powerlessness and disclaimer	Gramstad	<i>Many have experienced that it is challenging to have an impact on the producer and that it is up to the producer to take responsibility for it. Many retailers claim that they are only purchasing a small amount of what the producer is producing, which in turn means that they have no impact on the design of the product or how the product is produced. I believe it probably is a feeling of powerlessness and disclaimer.</i>
Structure: Value chain	Changing suppliers is not necessarily easily done, it is therefore a process that needs attention and requires patience	IKEA	<i>Another challenge is that we are dependent on our suppliers and those who are with us cultivating forests, salmon, or similar. These suppliers also need to be a part of this journey. Sometimes it might even be a whole industry, where we are relatively small, and it can be frustrating that it is not possible to carry out changes as fast as we desire. We therefore need to lead such processes with patience.</i>
Structure: Value chain	Many companies are tackling the challenge concerning the value chain by making the value chain shorter, implying a stronger control	Gramstad	<i>I think most companies are trying to make their value chains shorter. Princess, for example, is working on gathering the whole production process in one factory. The process of coloring cotton to a finished towel. This gives them greater control over the process. H&M and IKEA are also working with reducing the number of suppliers, in order to gain more control. REMA 1000, for example, has entered the farmed salmon industry to obtain control over the fish they are selling.</i>

Structure	There should be some criterions between the front end and back end	IKEA	<i>There are sustainable criterions in the internal reports between a warehouse and a country with a global function.</i>
Structure: Management	To actually shift a model, it requires attention from the management group	Gramstad	<i>I think generally CSR is too little used. It should be used more up in the management group, as well as the communication department. It is often a person further down in the system that has the responsibility for this, or it might be placed in the HR department. Some companies do not even have anyone responsible for CSR at all. This should be more actively taken a position on, there is a need for a conscious strategy around it. This is something Virke saw in our survey, there is more action than action plan. Companies just do it, but they have no deliberate strategy around the fact that "this is our social responsibility, let us build our reputation around it".</i>
Structure: Management	The importance of management in core functions	IKEA	<i>Within IKEA Global, which manages the supply chain, product development, sales and distribution, a stab function is integrated with our CSO (Chief Sustainability Officer). The CSO is in the management group, where all the largest strategies are initiated and driven. One Sustainability Manager can also be found in every core function of our operations.</i>
Structure: Management	The CSR responsible should ideally follow up the entire value chain, both the front and back end	H&M	<i>In every production country there is a production office, where there is a team of sustainability-workers that follow up suppliers. These teams also work close with employees dealing with purchases.</i>
Structure: Management	The importance of management in every function	H&M	<i>My role concerns downstream activities in a sales country. Pretty much all the large countries are sales countries, and all of these countries have one sustainability manager.</i>
Structure: Management	The importance of management in every function	H&M	<i>We are also fortunate that we have a large department in Stockholm, with dedicated persons divided on each country. I believe that this is an important resource for us, and critical for us in order to reach our goals.</i>
Structure: Management	The importance of management in every function	H&M	<i>Our practice of working on several levels is also challenging. Trying to make everyone accountable for our practice is a challenge. Everyone is a piece of the puzzle that we need to solve in order to improve our responsible practices. We have many messages and many goals we want to achieve. Consequently, this is an ongoing and long process.</i>
Partnerships	The importance of increased competence and knowledge, e.g. through partnerships	Gramstad	<i>I think it is very wise for companies to take part in the vast knowledge that exists in environmental organizations, the aid world and voluntary organizations. Many companies can benefit from such partnerships. I think everyone will experience a win-win situation. It is however clear that the companies need to be open for input and criticism. Then I think they will have everything to win on partnerships.</i>
Continuous Business Model Innovation: Being open for Changes			
Business concept	The importance of integrating sustainability into the business concept	H&M	<i>[...] we integrated sustainability into our business concept. Previously we stated that: We deliver fashion and quality for the best price. Now however, we have changed this to: We deliver fashion and quality for the best price, in a sustainable way. This also represents how sustainability is perceived from the highest level.</i>
Business concept	Responsibility as a long-term business concept	IKEA	<i>IKEA is dedicated to create a better daily life for the people. It still holds to this day, and will always be a central part of the company.</i>
Management	The importance of thinking in long-terms among management	IKEA	<i>The management is also an important driver, and they understand that this is about thinking in long-terms</i>
Management	The CSR responsible should have a keen focus on a continuous strategy	IKEA	<i>My job is to form a continuous strategy, forming a strategic plan regarding what we want to be in the next couple of years. For example what changes we want to conduct and implement. My job is therefore not to interfere in IKEA's current daily activities. For example regarding maintenance, machinery or waste that leads to sustainability issues. My objective is therefore not to lead the process concerning recycling procedures, these processes are already integrated in our employees' general work tasks.</i>

Enablers	People are the strongest driver for responsible practices	Stormberg	<i>I believe that the people is the strongest resource we have, namely because you need people to drive the CR activities.</i>
Continuous ideation	Continuous progress and strategy by evaluating future changes and operations	IKEA	<i>There is clearly a lot of work behind it all. I have been a part of the process related to continuous progress and strategy. This is a lot about seeing ourselves in relation to the world outside. Namely, to see where the world and the climate is headed, which parts of the world that are particularly exposed and which raw materials that are affected. And again, how this will affect our operations. We have to evaluate how we perceive the future supply chain in relation to materials and costs. It is a combination of analyzing external and internal aspects. One also has to be open in order to strengthen some parts, and tone down other smaller parts. These processes are enormous, and concern numerous aspects.</i>
Continuous ideation	Continuous ideation process concerning specific practices	Stormberg	<i>In addition, we are continuously searching for other distribution channels that might be sustainable. For example, searching for suppliers that are using a "climate neutral" service package, such as Bring and Posten. We are also looking into other things that will be significant for our choice of suppliers and the way in which we operate.</i>
Continuous ideation	Continuous BMI on focused main areas	H&M	<i>Two main dimensions need to transform in the future.</i>
Continuous ideation	The arrival of new CSR-cases and the importance of being open to changes	Gramstad	<i>Firstly, the materials used in the production process. Since we are an expanding corporation, we cannot continue to grow in the way we do in infinite time. Secondly, there are major challenges when it comes to production. For the most part, we produce in countries that are characterized by huge challenges in the labor market. This is about making the large and good initiatives scalable, because we cannot do good in a so called niche-market if we want to make a real impact.</i>
Continuous ideation	The importance of facing ideation processes through collaboration, e.g. partnerships	Gramstad	<i>Resource scarcity will keep affecting us, especially in retail. I also think new cases will constantly arrive. For example things that we usually would not interpret as CSR.</i>
Continuous ideation	Be open-minded when there is a need for change	IKEA	<i>There are a lot of industry initiatives for partnerships and collaborations. I have faith in those initiatives. I think that industry initiatives, for example for the construction industry and grocery industry, can lift whole industries. By having several actors gathering together and identifying what they do good and which contributes to the society, and identifying their challenges.</i>
Continuous experimentation	Continuous improvement programs for supply chain	H&M	<i>Our strategy is always open for new additions.</i>
Continuous experimentation	Continuous improvement programs for supply chain	H&M	<i>When we established the WAY-standards the objective was to gain full control, mainly operated by checklists. However, the current focus is to find out how we can all work together in order to improve. In some cases, the suppliers are responsible for carrying out this work.</i>
Continuous experimentation	Continuous improvement programs for supply chain	Stormberg	<i>However, we are now moving towards a continuous improvement program where suppliers are active participants in the reporting process. Naturally, it is checked twice in order to ensure correct reporting. With this program we can also measure improvements, and not only control whether or not procedures are being followed. This also motivates the supplier to set own goals for improvement, and increases the feeling of ownership for the improvement process.</i>
Continuous experimentation	Continuous improvement programs for supply chain	Stormberg	<i>We are also actively working with improving supplier contracts. The focus is on different things in these contracts. Including ethical guidelines. In a way this is a partnership, because we are working in the long term to guide and improve practices. We are cooperating over several years with the different suppliers.</i>