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## Abstract

Contemporary society expects companies to act responsibly and sustainably. This has led to the development of business ethics concepts, such as corporate social responsibility (CSR), which influence every activity in the retail value chain, both downstream and upstream. This chapter describes the ethical framework of CSR and its consequences for retailers.

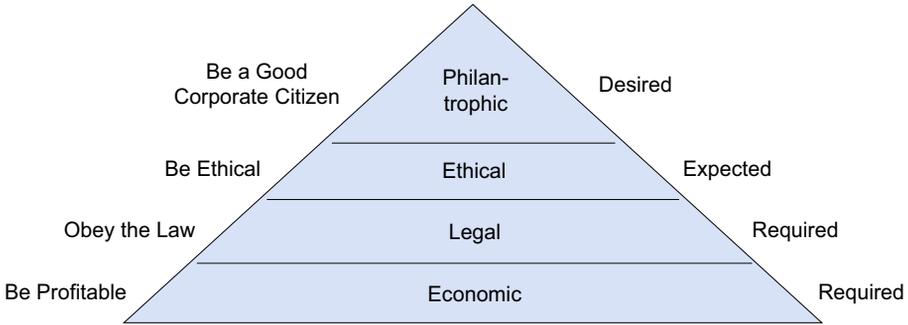
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## 10.1 Stakeholder View and Corporate Social Responsibility

### 10.1.1 Shareholder vs. Stakeholder Approach

In recent years, society has made increasing demands on companies to meet not only the needs of shareholders but also those of a wide range of internal and external stakeholders (see, e. g., Morschett et al. 2015, p. 302). A stakeholder can be defined, according to Freeman (1984, p. 46), as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Stakeholders include customers, suppliers, stockholders, employees, banks, non-governmental organisations (NGOs) and society in general.

The traditional shareholder approach that “the only business of business is to do business” (ascribed to Milton Friedman) is changing. Retail companies bear the brunt of this challenge, because they interact directly with consumers. Consumers generally have personal and contractual relations with these providers which they are unlikely to have with suppliers upstream. In addition, retail companies operate locally and are



**Fig. 10.1** Corporate social responsibility pyramid. (Adapted from Carroll 1991, p. 42)

active in thousands of local communities. In contrast, manufacturers produce in only a few plants worldwide. In addition, retail companies operate on both the supply and demand sides.

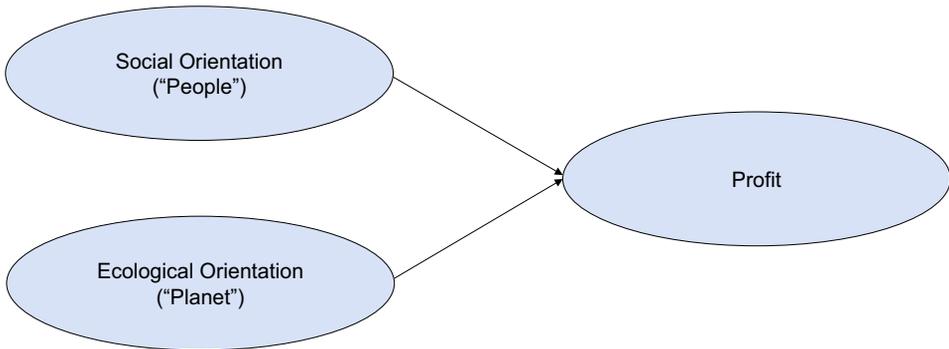
### 10.1.2 Triple Bottom Line and Corporate Social Responsibility Pyramid

Under the stakeholder approach, companies, in addition to generating profits, are held responsible for their social and environmental effects on society. They are required to act sustainably. In this context, the **triple bottom line concept** (TBL) require that companies should not only measure their success through financial performance (e. g., profits or return on investment) but also consider their impact on the wider economy, the environment and general society (Savitz and Weber 2014, p. 4; see Elkington 1997). Company success, from this perspective, has to be measured against multiple criteria, mainly capturing these three areas. In a helpful mnemonic, the triple bottom line concept refers to “people, planet, profit”, and hence can be seen as the “**PPP approach**”.

Carroll (1979; 1991) developed the widely used “**corporate social responsibility pyramid**” (see Fig. 10.1), which conceptualises corporate responsibility via four expectations that society has of organisations:

- The economic domain (“be profitable”) as the necessary financial base.
- The legal domain (“obey the law”).
- The ethical domain (“be ethical”) characterising a “higher” level of responsibility within the pyramid.
- The philanthropic domain (“be a good corporate citizen”) as the top level of social commitment.

While the legal domain seems like it would be a given, there are nevertheless a lot of violations in the “global competitive arena”.



**Fig. 10.2** The New PPP model. (Scholz and Zentes 2015, p. 172)

## 10.2 Corporate Social Responsibility and Corporate Strategy

### 10.2.1 Strategic Integration of CSR

Following the TBL approach means that companies have to meet three **targets of equal importance**: being profitable and operating both socially and ecologically. There are short-, medium- and long-term approaches to profit, although these perspectives are not necessarily mutually compatible. In addition, there are **interrelations** between the three targets: Acting in a socially responsible way can reduce short-term profits because retail companies that trade responsibly often incur higher costs, e. g., paying fair prices to foreign farmers ("**fair trade**"). But in the long run, this social engagement will be rewarded. Or the retail company might only sell organic products at a higher average price, thus alienating (short-term) profitable market segments. However, in the long run this strategic positioning can be economically lucrative.

Another increasingly important conflict stems from retailers' long-term approaches to securing access to agricultural resources such as crops, coffee or cocoa beans, for example by acquiring farms in foreign countries, and thereby reducing supplies in the regions of origin, which are often the least developed countries. Acting both ethically and profitably requires finding **win-win-situations**, e. g., via long-term partnerships with farmers (**contract farming**), investing capital and transferring knowledge to substantially improve productivity, so that both parties can benefit. A strong example is the partnership between the Swiss companies *Coop* and *Remei* and Indian farmers to cultivate bio-cotton (Morschett et al. 2015, pp. 310–316).

A balanced approach to the three dimensions can be achieved via the **New PPP model** (Scholz and Zentes 2015, pp. 171–173). In this approach, profit is no longer the **target** but the legitimate **result** of economic activities in a market economy: The basic guidelines of entrepreneurial activities are **social orientation** and **ecological** or **environmental orientation**. This approach is illustrated in Fig. 10.2.

A strong example of how companies can successfully follow the structure of the **New PPP model** is the German drugstore *dm-drogerie markt* (see Scholz and Zentes 2015, pp. 175–178). Since its foundation in 1973 by *Götz W. Werner*, *dm-drogerie markt* has focused on entrepreneurial and socially conscious activities. According to *Erich Harsch*, CEO of *dm-drogerie markt*, “the attitude behind everything the company does is what really matters. (...) At *dm*, we believe a company can only be successful in the long term if it can strike a balance between commercial concerns and ecological and social factors. We do not see sustainability as a concrete state but as an intrinsic approach on which all entrepreneurial activities must be based. That is the only way we can ensure we have the necessary foresight to stay fit for the future. Sustainability does not preclude commercial success, it is an essential requirement of it” (Inverto 2010).

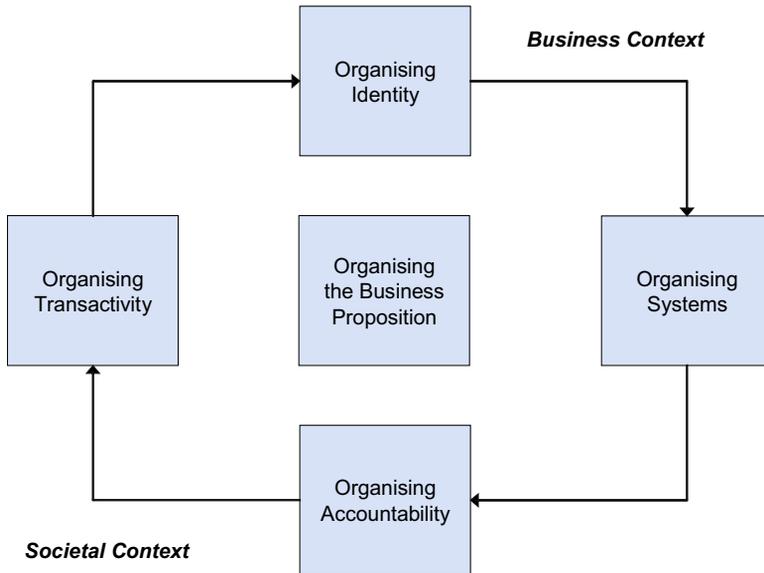
The positive economic effects of sustainable business models have been demonstrated in a global study from the *MIT Sloan Management Review* (MIT SMR) and the *Boston Consulting Group* (BCG), based on a survey of 2600 company representatives around the world. According to this study, “more than 60 percent of companies that had changed their business model and had sustainability as a permanent fixture on their management agenda said they have added profit from sustainability.” Specifically, companies’ reported profits from their sustainability efforts rose 23 % in 2012, to 37 % of the total (BCG 2013).

## 10.2.2 CSR Management Model

Companies’ CSR activities can be classified in different ways (Sen and Bhattacharya 2001; Schramm-Klein et al. 2016). Retailers must embed these in their organisation holistically (i. e., linked to the business proposition and every added value in the value chain) (Jonker and de Witte 2006, p. 4). Based on this approach, an integrated management model can be developed (see Fig. 10.3).

The starting point for the CSR model is a company’s business proposition, which comprises their vision, mission and overall competitive strategy. Under the umbrella of the business proposition, four interlinked domains must be defined, in both a business or competition context and a societal context (Jonker and de Witte 2006, p. 6):

- **Organising identity:** This covers issues such as core values, branding, image and corporate identity. These factors will be discussed in detail in the case study for this chapter.
- **Organising systems:** This refers to internal and external communication and the design of primary and supporting processes. The following sections focus on the sustainable design of primary processes such as purchasing and production, logistics, marketing and sales and human resource management as a supporting process.
- **Organising accountability:** This focuses on auditing, reporting and monitoring performance and standards, which will also be discussed in the following sections.
- **Organising transactivity:** This includes developing partnerships, organising dialogues, etc., which will be described in the case study.



**Fig. 10.3** The CSR management model. (Jonker and de Witte 2006, p. 5)

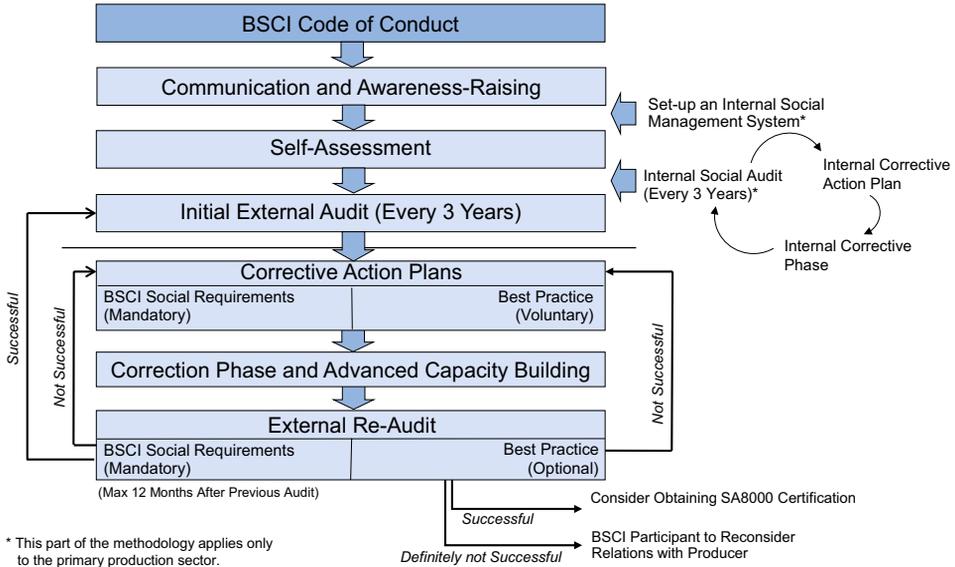
### 10.2.3 Restructuring the Retail Value Chain

Sustainable purchasing and (in-house) production are important primary processes on the supply side of the retail value chain and require strong labour and ecological standards across all production sites worldwide, buying or producing safe products, sourcing fairly and responsibly and using scarce resources efficiently.

To comply with **sustainability standards** and build partnerships with **trusted suppliers**, many organisations have developed **codes of conduct** which provide consistent guidelines for retailers and manufacturers.

For example, the *Business Social Compliance Initiative* (BSCI) of the European *Foreign Trade Association* (FTA) demonstrates how retail and wholesale companies follow codes of conduct, implement and run audits and react through corrective actions in global purchasing (Morschett et al. 2015, pp. 304–305):

- The BSCI Code of Conduct is built on internationally recognised labour standards to protect workers' rights, in particular the ILO Core Labour Conventions.
- The practical implementation of the code is controlled by independent auditing companies accredited by Social Accountability International (SAI), which issues the SA8000 Standard. This standard ensures workers' basic human rights, based on the UN Declaration of Human Rights and the convention of the International Labour Organization (ILO). To control the BSCI process, the members share the results of their audits in a shared database. This also avoids duplicate audits, thus reducing audit fatigue.



\* This part of the methodology applies only to the primary production sector.

Fig. 10.4 BSCI social audit process. (BSCI 2013)

- The BSCI is based on a development approach and does not rely solely on audits. It aims to continuously improve suppliers’ social performance, encouraging them to apply for SA8000 certification. The BSCI has developed follow-up measures such as implementation controls and training measures to support suppliers.
- The entire BSCI process is complemented by local and European stakeholder networks, which bring their expertise to the initiative and help ensure the long-term local ownership of the process. Cooperation with governmental authorities, trade unions, NGOs and associations also facilitates the social acceptance and independence of the system.

Fig. 10.4 shows the BSCI process of social audits. These audits mostly improve conditions across the industry via **corrective action plans** to build strong partnerships with suppliers, so they can deliver high quality, safe, responsibly produced products at affordable prices.

As an example, Fig. 10.5 shows the compliance with the code of conduct in factories and workshops associated with suppliers after the 2013 purchase of the Spanish vertical *Inditex*.

Another challenge in this context is reducing **food waste**. As an example, Table 10.1 shows the food waste profile of the most frequently purchased food products at the British retailer *Tesco* across every step of the value chain, i. e., field losses, processing losses, retail waste and consumer waste. Reducing food waste is not just a task for producers and retailers; consumers are also involved. Recently, a new law forbidding food waste was passed in France, banning grocery stores from throwing unsold food away. Supermarket stores larger than 400 m<sup>2</sup> must sign agreements with charities by July 2016 or face fines of up to

	Africa		America		Asia		Europe (non-EU)		European Union	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Prohibition of Forced Labour										
Prohibition of Work by Youths or Minors (**)										
Prohibition of Discrimination										
Respect for Freedom of Association and Collective Bargaining										
Prohibition of Abuse or Inhuman Treatment										
Hygiene at Work										
Wage Compliance										
Working Hours										
Environmental Commitment										
Regular Work										
Implementation of the Code (***)										

(\*) Does not include blocked workshops in 2013.  
 (\*\*) Includes the lack of suitable systems for checking the age of workers.  
 (\*\*\*) Includes the lack of suitable systems for registering and informing workers.  
 Legend: +90% compliance (lightest blue), +70% (medium blue), >50% (darker blue), <50% (grey)

**Fig. 10.5** Percentage compliance with the code of conduct in active factories and workshops (\*) in 2013. (Inditex 2013, p. 58)

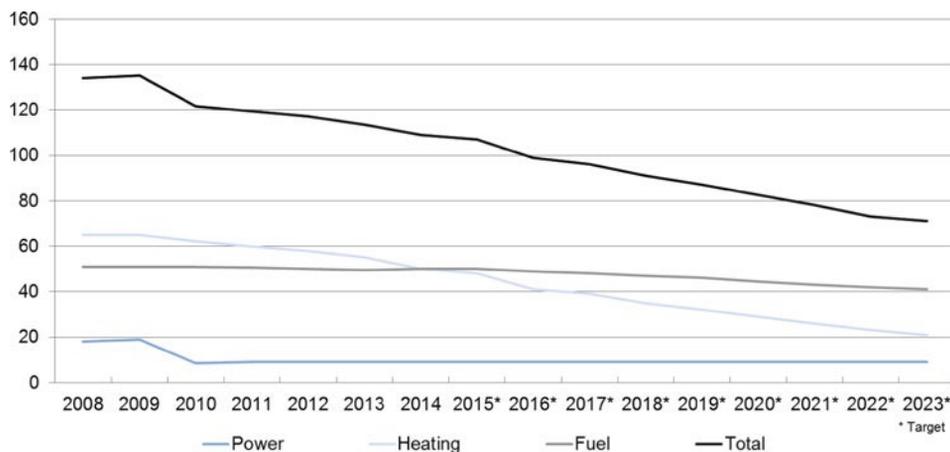
75,000 EUR. Separately, other voluntary initiatives have been introduced: For example, the German *REWE Group* has been voluntarily donating unsold but edible food to the German charity association *Tafel* since 1996.

In addition to sustainable purchasing, ethical trading and responsible production, sustainable logistics (**green logistics**) is another challenge for retail companies wanting to increase their energy efficiency and reduce CO<sub>2</sub> emissions. Energy reduction measures have also been implemented for the construction and operation of all sales outlets, e. g., lighting technology, refrigeration systems, heat consumption, etc.

The Swiss retailer *Coop's* expanded **rail shipments** provide a good example of environmentally friendly goods transport. In May 2015, *Coop* was awarded the *Schweizerische Umweltstiftung* [Swiss Environmental Foundation] annual environment prize for delivering

**Table 10.1** Food waste profiles for selected food products. (Tesco 2014, pp. 14–15)

	Field Losses	Processing Losses	Retail Waste	Consumer Waste
Potatoes	9 %	6 %	1 %	39 %
Cheese	1 %	1 %	1 %	4 %
Lamb	7 %	13 %	1 %	5 %
Grapes	6 %	1 %	1 %	13 %



**Fig. 10.6** *Coop's* (Switzerland) CO<sub>2</sub> emissions and reduction targets until 2023 (Switzerland) (in '000s of tons). (Coop Group 2014, p. 27)

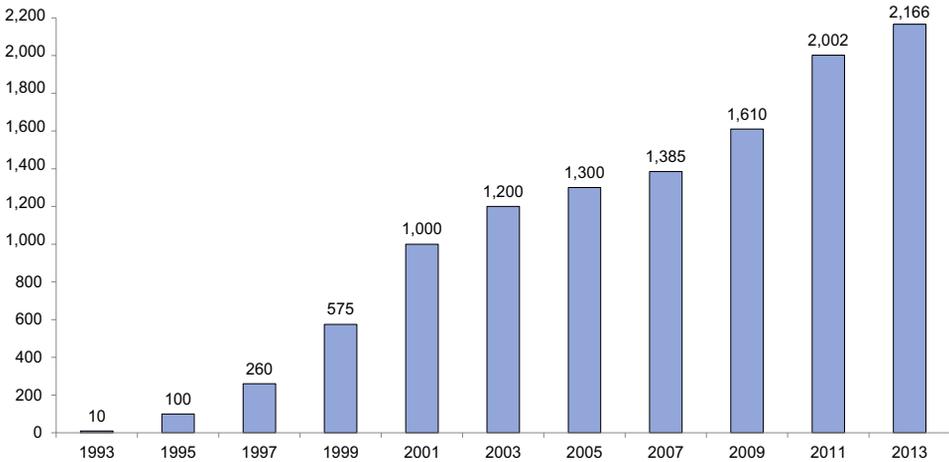
to *Coop* supermarkets via unaccompanied combined transport (UCT). This combination of rail and road transport from *Coop's* subsidiary *Railcare* AG helped the company save 7.2 million truck kilometres in 2014, avoiding 6400 tons of CO<sub>2</sub> emissions (Coop Group 2015). All these energy efficiency or climate protection measures contribute to *Coop's* goal of being CO<sub>2</sub> neutral by 2023 (see Fig. 10.6).

Retail companies can also contribute to sustainability on the demand side of their value chain. Measures here include switching product ranges to organic and fair trade versions, developing innovative (i. e., environmentally friendly) packaging solutions, focusing on regional organic production, promoting animal welfare and also supporting consumers with information that helps them to make **sustainable buying decisions** (i. e., promoting sustainable consumer behaviour).

*Coop*, the largest supplier of organic food in Switzerland, is a pioneer here. *Coop* launched its organic *Naturaplan* label in 1993. In 2014, the total sales of *Coop* organic products (including organic cotton) totalled 1.1 billion CHF (Coop Group 2014). Fig. 10.7 shows the development of sales of *Coop's* own-label sustainability brands and quality labels.

Promoting consumers' responsible buying and consumption decisions is also a key to improving **health**. "Improving health" was one of the three big ambitions of the British retailer *Tesco* in 2014: "As a global retailer we can provide customers with the information and choices they need and help them to live healthier lives" (Tesco 2014, p. 11). For example, *Tesco* offers the "Healthy Little Differences Tracker". This tracker measures the nutritional content of customers' shopping baskets. Based on this information, *Tesco* can develop solutions to encourage people to buy and eat more healthily (Tesco 2014).

Social orientation (see Fig. 10.2) does not just mean complying with labour standards in low-cost countries; it also involves focusing on all employees to reach a high level of **employee satisfaction**. This approach covers a wide range of activities: traineeships, apprenticeships, training and professional development, internal recruitment, awarding jobs



**Fig. 10.7** Sales of *Coop* own-label sustainability brands and quality labels (in million CHF). (*Coop Group 2014*, p. 42)

to people with disabilities, balancing work and family life, granting weeks of maternity or paternity leave and creating opportunities for young people.

#### 10.2.4 Measurement, Reports and Governance

A corporate responsibility strategy has to be embedded in a retail company holistically: from suppliers to stores, from head office to customer service centres, from warehouses to consumers' homes (e. g., for online retailing).

Achieving all this means accurately measuring a company's **social and environmental performance** and its progress as a dimension of **organising accountability** (see Fig. 10.3). Retailers that think and operate responsibly or sustainably do not only measure and communicate their results internally; they also report their measures, achievements and progress externally (i. e., to all stakeholders) via voluntary **sustainability reports**. A comprehensive example is provided by the case study for this chapter.

To compare companies' sustainable behaviour and sustainability reports, internationally recognised guidelines have been developed, such as the principles of the *United Nations Global Compact (UNGC)* or the *Global Reporting Initiative (GRI)* indicator list.

Retailers are also ranked in terms of their sustainable behaviour by many research institutes and media companies. Table 10.2 presents the ten most sustainable global retailers in 2013, released by *Corporate Knights*.

Implementing a corporate responsibility strategy also requires **governance structures** (i. e., the distribution of rights and responsibilities among the different actors in the corporation, e. g., the board of directors, managers, auditors, regulators, etc.) Fig. 10.8 shows how the Swedish vertical *H&M* has organised its sustainability approach.

**Table 10.2** The 10 most sustainable global retailers of 2013

Rank	Company	Country
1	Marks & Spencer Group	United Kingdom
2	Inditex	Spain
3	Wesfarmers	Australia
4	Kesko	Finland
5	Canon Marketing Japan	Japan
6	Companhia Brasileira de Distribuição Grupo Pão de Açúcar	Brazil
7	Aeon	Japan
8	Yamada Denki	Japan
9	Loblaw Companies	Canada
10	Hennes & Mauritz	Sweden

*H&M's* Head of Sustainability reports directly to the CEO. Around 170 employees have sustainability as a core task. The Central Sustainability Department consists of more than 20 people “responsible for developing, global targets, reviewing progress, and encouraging and advising all relevant departments on the development and implementation of prioritised Conscious Actions based on continued stakeholder engagement, business intelligence and innovation research” (H&M 2014, p. 11).

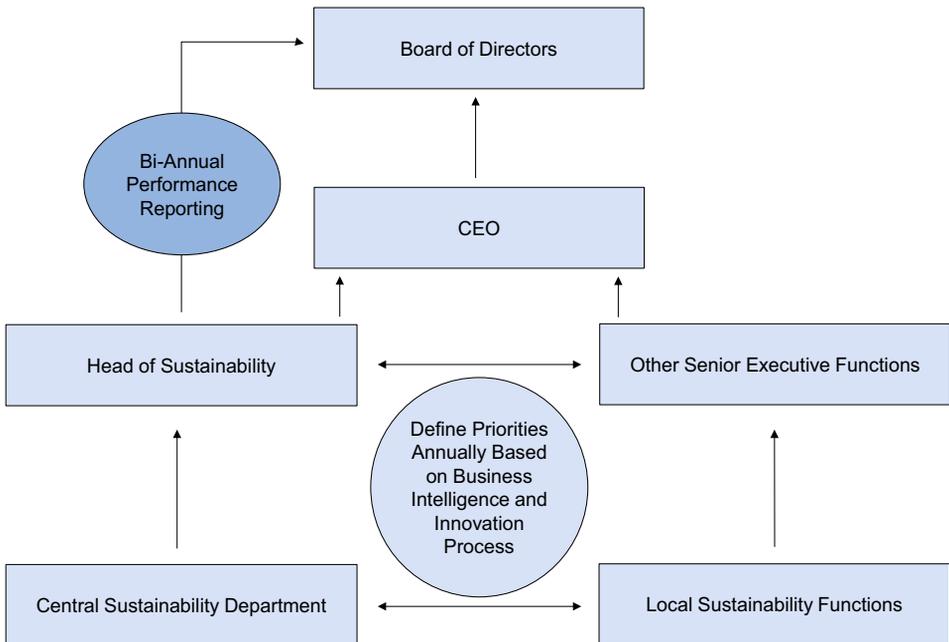
### 10.3 Conclusion and Outlook

Thinking and acting responsibly is not simply an important or core element of business or corporate strategy. It is fundamental for retailers' long-term success, and this importance will only increase in the future.

Social or environmental measures can increase costs in the short term, but they will pay off in the medium or long term. In addition, social and environmental failures can induce **reputational risks** which threaten a company's existence. Ultimately, it is profitable for retailers to create greater value for society.

#### Further Reading

- Chandler and Werther. (2014). *Strategic corporate social responsibility: Stakeholders, globalization and sustainable value creation* (3rd ed.). Thousand Oaks: SAGE Publications.
- Morschett et al. (2015). *Strategic international management: text and cases* (3rd edn.). Wiesbaden: Springer Gabler.



**Fig. 10.8** Governance structure of H&M. (H&M 2014, p. 11)

- Porter and Kramer (2006). Strategy & Society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84(12), 78–92.
- Schramm-Klein et al. (2015). Retailer corporate social responsibility: shedding light on CSR's impact on profit of intermediaries in marketing channels. *International Journal of Retail & Distribution Management*, 43(4/5), 403–431.

## 10.4 Case Study: Otto Group

### 10.4.1 Profile, History and Status Quo

The *Otto Group*<sup>1</sup> is a global retail group headquartered in Hamburg, Germany. With 123 associated companies located in more than 20 countries across Europe, Asia and both North and South America, the family enterprise runs more than 100 online shops, 1800

<sup>1</sup> As well as the explicitly cited sources, sources used for this case study include the website <http://www.ottogroup.com>, press releases and various annual and CSR reports.

catalogues and 400 stores. The *Otto Group's* companies include famous brands, such as its largest single trading company *Otto*, as well as *Baur*, *Bonprix*, *Crate & Barrel*, *Cofidis*, *Manufactum* and *Sportscheck*.

The company's origins date back to 1949, when *Werner Otto* formed the mail-order company *Werner Otto Versandhandel* [Werner Otto Mail-Order Company], based in two small buildings in the Hamburg borough of Schnelsen. In the following year, *Werner Otto* and his three employees published their first hand-produced catalogue with pictures of 28 pairs of shoes featured on 14 pages. Just one year later, the company expanded its product line with a total circulation of 1500 catalogues. Within ten years, the small mail-order house had become a large-scale enterprise, employing over 1000 people. The business then grew rapidly during the 1950s, expanding its range and establishing itself with the help of shoppers from outside major cities who did not have ready access to stores. In the 1960s, *Werner Otto Versandhandel* expanded its position as a pioneer in its industry, surpassing one billion DM (Deutschmark, the former German currency) for the first time in 1970. Within this period, the company, now called *Otto Group*, founded the *Hanseatic Bank*, allowing its customers to finance catalogue goods. In 1972, *Otto Versand* (the abbreviated name of *Werner Otto Versandhandel*) established its own logistics company, *Hermes*. Global expansion into a trade service company began in the 1970s, when the *Otto Group* took a share in *3 Suisse International*, France (initially 25 %, 50 % since 1981). In 1980, *Otto Reisen GmbH* was formed, offering tourist services via catalogue. By 1987, the *Otto Group* had become the world's largest mail-order company. In 1995, the individual company *Otto* started presenting parts of its product line on the Internet at [www.otto.de](http://www.otto.de). Just two years later, the complete *Otto* catalogue was published online. Since then, the company has been steadily expanding its online and offline activities, founding start-ups and joint ventures, and making acquisitions all over the world.

As of 2014, the *Otto Group* is Europe's largest online retailer for fashion and lifestyle and the world's second-largest online retailer in the end-consumer (B2C) business (Forbes 2014). With over 54,000, the *Otto Group* increased its revenue by 0.5 % to 12 billion EUR in the 2014/15 financial year.

#### 10.4.2 The Three Pillars of the Otto Group

The *Otto Group's* activities cover three main business areas:

- The multi-channel retail segment encompasses the group's global catalogue, e-commerce and over-the-counter retail business activities, and is the *Otto Group's* highest-turnover business segment. With revenue of almost 10 billion EUR in the 2014/15 fiscal year, it provides more than 80 % of the group's total. Today, almost 60 % of all revenue in the multi-channel retail segment is generated through online platforms.
- With revenue of almost 1.5 billion EUR, the services segment is the second largest business segment. It covers services within the retail logistics value chain, e. g.,

sourcing, quality testing, transportation and warehousing, as well as customer delivery. The *Otto Group's* sourcing companies and logistics service providers are all consolidated under the brand *Hermes* and provide services to both the *Otto Group's* retail companies and other customers.

- The financial services segment comprises the *Otto Group's* range of retail-related financial services, focusing on consumer credit, liquidity management and payment. This segment includes the following global companies: EOS Group, Finnovato GmbH and the Hanseatic Bank and Hanseatic Insurance Service. The financial services segment generated revenue of 644 million EUR in 2014/15.

The *Otto Group* is strongly aware of its responsibility towards its market environment and is working on specific measures within its business segments, notably:

- Developing e-commerce activities within the multi-channel segment,
- developing more innovative concepts within the financial services and services segment,
- further growing through progressive internationalisation, with the BRIC states leading the way, and, most notably,
- increasing focus on its corporate responsibility activities.

### 10.4.3 Corporate Responsibility (CR) at the Otto Group

Protecting the environment and acting in a socially responsible way has been an integral part of the *Otto Group's* strategy since the 1980s. Today, taking responsibility for people and the environment is the focus of the *Otto Group's* corporate vision, embodied in a corporate mission called “The Power of Responsibility”. This mission provides four key targets to strive for throughout the group, namely profitability, innovation, diversity and sustainability. This vision and mission, presented in Fig. 10.9, form the basis for the company culture and are intended to ensure the sustainability of the *Otto Group's* business activities.



**Fig. 10.9** Vision and mission. (Otto Group 2015a)

### 10.4.4 The Otto Group’s Fields of Sustainable Action

In line with its vision, the *Otto Group* has developed its “CR strategy 2020”, “which group-wide defines the key sustainability issues and goals and embeds the principles of sustainable business practices even more deeply in the group and its business processes” (Otto Group 2013, p. 16). This strategy, adopted in 2012, is valid until the 2020/2021 fiscal year and is an umbrella strategy with five sub-strategies for handling the *Otto Group’s* assortment and customers, supporting the climate and environment and managing the supply chain. For each field of action, the *Otto Group* has defined group-wide goals to focus its primary business processes and activities on sustainability (see Fig. 10.10). Every company in the group is committed to these five central objectives, insofar as they are relevant to their business models.

The *Otto Group’s* assortment and customer strategies focus on the environmentally friendly extraction and processing of raw materials. To this end, the company established strategies for both textiles and durable goods. The goal of the textile strategy is to switching the *Group’s* entire order volume for its own and licensed brands to sustainable cotton by 2020. This is an ambitious objective, as the current share of sustainably cultivated cotton is comparatively low (11 % share of the group’s entire cotton take-up) (Otto Group 2015b). The primary goal of the durable goods strategy is to use only FSC (*Forest Stewardship Council*)-certified timber from responsible forestry in order to make a major contribution to preserving biodiversity.

The group’s climate and environment strategies again focus on two major goals: climate protection by reducing CO<sub>2</sub> emissions generated by logistics, the company’s sites and employee travel, and increasing the share of FSC-certified paper in catalogues and advertising to at least 50 %. The share of FSC-certified wood in furniture is to be increased to 100 %.

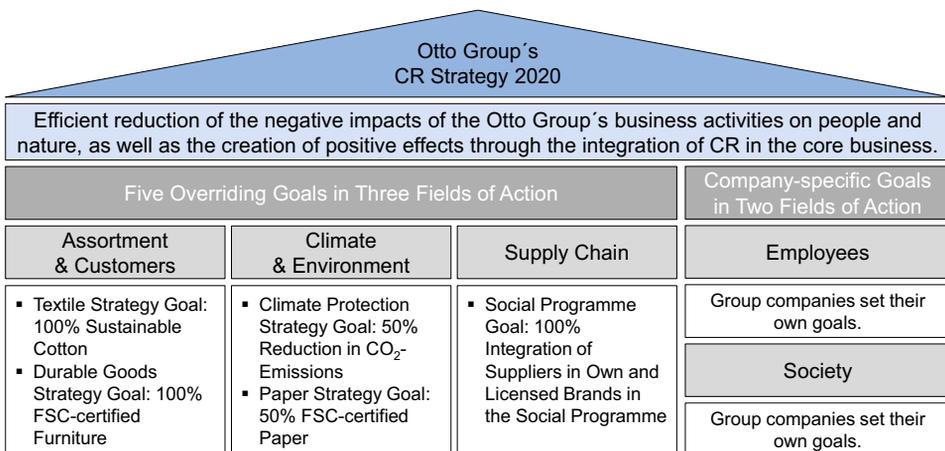


Fig. 10.10 CR Strategy 2020. (Otto Group 2015a)

- As the global demand for raw materials is continually rising, managing a resource-friendly value chain is increasingly important and will make a strong contribution to securing the *Otto Group's* future (Business and Diversity Initiative 2014). Therefore, the *Otto Group* launched its “Social Programme” in 2012 to improve local working and production conditions and ensure suppliers uphold social standards within the supply chain. The primary objective is the full integration of all suppliers with factories in at-risk countries, such as Bangladesh, India and China. In doing so, the *Otto Group* intends to increase transparency within the supply chain and improve social standards. Partners, suppliers and employees have to follow the *Otto Group's* code of conduct that sets out social standards, particularly the “code of conduct for merchandising goods” and the “code of conduct for services and non-merchandising goods”.
- Implementing these sub-strategies often calls for strong partnerships. For example, “the *Otto Group* works with Terre des Hommes to combat child labour in India, and supports the Aid by Trade Foundation initiated by Dr. Michael Otto, which promotes small farmers growing cotton in sustainable ways in Africa. It advocates and promotes educational opportunities for young people at its sites” (Otto Group 2015c).

### 10.4.5 Management of Corporate Responsibility

Successful implementation of the CR strategy 2020 is highly dependent on the quality of the group's organisational management. This is even more important at the *Otto Group* because of its decentralised structure. Therefore, the group-wide implementation of the strategic CR goals requires clearly defined working processes at a group level. Thus, the company established a “CR board” in 2012, headed by *Hans-Otto Schrader*, CEO and chairman of the executive board. This CR board is the “central decision making body for preparing strategic CR decisions” (Otto Group 2013, p. 19). The CR board is supported by working groups from the strategy-specific action fields and the CR division, which has been promoting sustainable issues at a group level since 1990. The CR division has a group-wide consulting and management function, is responsible for planning and developing strategies and provides the measurement tools used by the CR board. It is also responsible for stakeholder management, CR reporting, networking and knowledge transfer between the *Otto Group* and its constituent companies.

The numerous and diverse companies within the *Otto Group* require CR coordinators for each company, who “coordinate their company's respective CR activities, initiate new measures and manage the administration of key figures” on an operational level (Otto Group 2013, p. 19).

The *Otto Group's* full CR organisation is shown in Fig. 10.11. It is clear that CR is one of the *Otto Group's* top priorities.

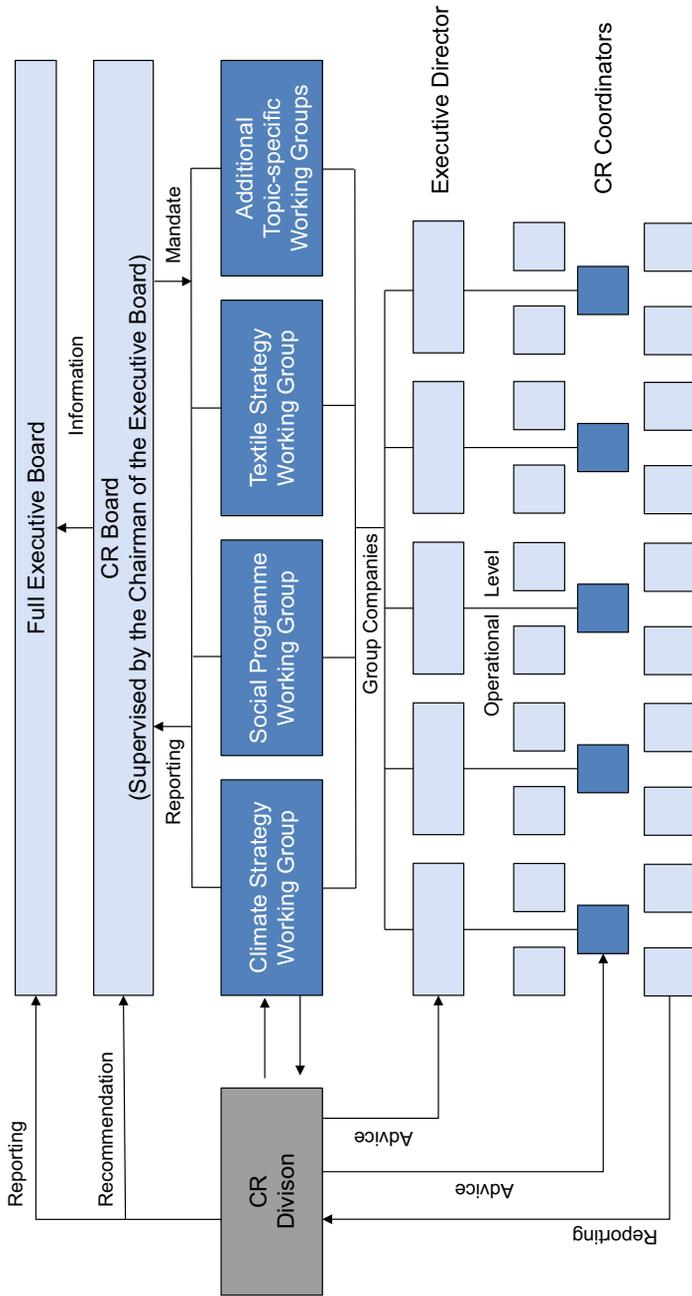


Fig. 10.11 CR organisation. (Otto Group 2013)

### 10.4.6 Stakeholder Dialogue

Transparent communication and critically constructive dialogue with external and internal stakeholders are crucial for the *Otto Group* in two ways: first, they support the constant development of its sustainable activities and, second, they increase consumer awareness of sustainability issues. The *Otto Group* restructured its stakeholder management system in 2011 to standardise all dialogue procedures within the group's companies. The new system sets out clear guidelines for identifying and involving stakeholders, internal responsibilities and division of duties. The most important stakeholders at the *Otto Group* are customers, suppliers, employees, NGOs and representatives from politics, science and business. Stakeholders are involved in the company's business activities at four different levels:

- Providing information for the sustainability report and the corporate website,
- face-to-face dialogue (e. g., events, workshops),
- consultation (e. g., one-to-one exchange at a specialist level),
- developing goals and solutions with stakeholders, or at least involving them in the process.

Table 10.3 presents a selection of the different information and dialogue formats used at the *Otto Group*, along with the most-discussed topics.

The *Otto Group's* forum initiatives, e. g., in the living wages forum of the Round Table Codes of Conduct of the German Society for International Collaboration (GIZ), “serve to encourage exchange and involve internal and external stakeholders as well as to extend interactions with them” (Otto Group 2013, p. 22), and thus provide a powerful stimulus for its CR strategy.

### 10.4.7 Summary and Outlook

This case study focused on the *Otto Group's* socially and environmentally sustainable business activities. The *Otto Group* is a strong example of a retail company successfully integrating the principles of the triple bottom line into their business activities. Given the rising number of accusations of greenwashing from general society, the example of the *Otto Group* shows how early integration of sustainable business practices – both upstream within the supply chain and downstream within the context of intensive stakeholder dialogues – help provide an authentic, sustainable reputation and also boost profits. In future, the *Otto Group* will focus on more complex multipliers to attract even more attention to sustainability topics, anchor the topic in the public's mind and stimulate a societal shift on the issue.

**Table 10.3** Stakeholder dialogue by target group

Target Group	Information or Dialogue Format	Selected Topics
Cross-target Group Communication	CR report and corporate website press releases forums interviews	CR strategy and media relations, social standards in the supply chain, climate protection
NGOs	Membership in associations and initiatives round table events ...	Consumer protection, climate protection, occupational health and safety
Business	Topic-specific working groups sharing best-practice examples with other companies ...	Consumer behaviour, social standards in the supply chain
Politics	Membership of associations and initiatives face-to-face discussions ...	Consumer protection, climate protection
Science Management	Regular trend study university collaborations ...	Sustainability, consumer behaviour, social standards in the supply chain
Customers	Online shop/catalogue customer service online forums/social networks ...	Sustainable products, data protection, sourcing raw materials
Employees	Intranet seminars best-practice clubs ...	CR strategy, employee engagement, energy efficiency
Suppliers Supply Chain	Codes of conduct audits/trainings ...	Climate protection, social standards in the supply chain, raw-material sourcing

### Questions

1. Compare the shareholder and stakeholder approaches. Which seems more relevant for the *Otto Group*? In this context, name the *Otto Group*'s key stakeholders and outline their typical expectations, power and influence over the *Otto Group*.
2. Corporate responsibility (CR) or corporate social responsibility (CSR) are extraordinarily important for the *Otto Group*. Define the concept of CSR. What arguments in favour to CSR seem most important? Name the driving forces which make CSR more relevant today.

3. Explain the “New PPP model”. Does this model apply to the Otto Group? If so, how?

- ▶ See the *Otto Group's* CSR report for further information.
- ▶ Visit the company website and annual reports for further information.

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