Corporate Social Responsibility in the Coffee Sector

Löfbergs' CSR work towards Sustainable Development in Brazil's Coffee Chain

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Abstract

Today's world is shaped by the challenges of the future: a growing world population, climate change and scarcity of resources. These manifold problems emerge through the actions of several actors originating in every country of the world. Since there is no international government that controls the provision of the problems flipside - the public good - international cooperation between different actors of the international society is required. Corporations are actors within the international society, which are often accused of being responsible for environmental damage and human rights abuses; on the other hand they are seen as having a key role to diminish the many global challenges the world is facing. The work of non-governmental organisations (NGOs), supported by the media, have further pressured international corporations to act and to take on their responsibility. Simultaneously, they caught the attention from consumers, affecting their demand for ethical products. Therefore, the role of international companies to contribute to the provision of public goods has moved into focus. This thesis is in the broader sense a contribution to studies on the private sectors' capacity to contribute through their Corporate Social Responsibility (CSR) work to Sustainable Development. In particular, one coffee firm, the Swedish coffee roaster Löfbergs Lila AB and its development projects that are carried out in collaboration with other coffee companies serve as a case. Their aim is to fight against climate change in the coffee sector, whereby they contribute to the public good of a global sustainable climate.

Within the coffee sector several problems have evolved: low coffee prices, the impact of global warming, such as droughts and diminishing soil fertility have a further effect on their productivity and income, poor working conditions, child labour and the like. Together with the other coffee companies and through partnerships with government agencies and NGOs, Löfbergs address these problems. In this thesis I will shed light on several stakeholders in Löfbergs' coffee chain and with the help of Olson's logic of collective action theory investigate their role within the public good provision. Within the global commodity chain analysis framework, developed by Gereffi, in particular the governing role of Löfbergs in cooperation with the other coffee companies and their capacity to evoke change towards a more sustainable coffee chain is studied. Hegemony and regime theory is used in order to examine their leading role.

The method I use for approaching my research question is through semi-structured interviews with Löfbergs and the international coffee partners, the initiative of the coffee companies Löfbergs are cooperating with.

The findings from my qualitative data show, that the public good of a global sustainable climate is connected to the collective action problem and that without private benefits, the incentive to share the burden of a global sustainable climate would be small. The coffee companies' CSR work contributes to the establishment of a regime, which is seen as one possible solution to address the collective action problem.

Keywords: CSR, Sustainable Development, climate change, public good, governance, hegemony, regime

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List of Abbreviations

BMZ	Federal Ministry of Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)
CABI	Commonwealth Agricultural Bureaux International
C&C	Coffee & Climate
CO2	Carbon dioxide
CSR	Corporate Social Responsibility
EDE	Embden, Drishaus & Epping Consulting GmbH
Embrapa	Brazilian Agricultural Research Corporation
EU	European Union
GCC	Global Commodity Chain
GVC	Global Value Chain
ICA	International Coffee Agreement
ICO	International Coffee Organization
ILO	International Labour Organization
IR	International Relations
Löfbergs	Löfbergs Lila AB
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
SIDA	Swedish International Development Cooperation Agency
SD	Sustainable Development
UN	United Nations
UNGC	United Nation Global Compact
4C Association	Common Code for the Coffee Community

1. Introduction

In the following chapter I introduce the reader to the context and problem area, the problem formulation and the research question. Furthermore, the reader will be provided with an overview of the structure of the thesis.

1.1 Problem area: The provision of common goods on the international level

The world, as it is constituted today, has brought along numerous challenges, such as the scarcity of resources, the growing difference between rich and poor, demographic, as well as climate change. As the entire world suffers from these problems, one can also call them 'public bad' (Pevnitskaya & Ryvkin 2003: 28; Arevalo & Fallon 2008: 463). Its removal or at least improvement would be a common good that benefits all. In order to fight against these problems, Sustainable Development (SD) as a common good[1] has been more and more included in the political debate about these challenges (Simeonov 2013: 8). According to the Brundtland Report SD can be defined as: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1978: 43). SD comprises three elements: "economic development, social development and environmental protection" (WSSD 2002: 1). Within the coffee sector, for instance, production should improve the livelihood of the farmers, equitable prices should be paid on the market, while conserving the ecosystem and wildlife in a long-term perspective (Conservation International 2001: 3,4). Consequently, SD is both, recognised as a human and an ecological condition (Bendell 1998: 6).

Traditionally, it was the responsibility of public actors to provide common goods (Nelson 2008: 5). However, on an international level, the provision of public goods such as SD seems to be more complex. As John Ruggie, a renowned scholar within International Relations (IR) and the United Nations (UN) Secretary-General on business and human rights describes the problem: "There is no government at the global level to act on behalf of the common good, as there is at the national level" (Ruggie 2008: 232). Following, there is no 'body' responsible and controlling the provision of common goods.

[1] In this thesis I use the concept of 'public good', 'common good' and 'collective good' synonymously as has been recommended by Olson & Zeckhauser (1966).

All states would benefit from SD whether they contribute to it or not and they can decide how much they want to spend for the public good. Thus, it can be argued that the contribution toward public good is unequally distributed. There is also the option not to share the burden but instead choosing to free-ride (Thielemann 2006: 2). This can often be seen in reality, where repressive, corrupt and unaccountable states disregard environmental protection and human rights; often they put their own interest above those of their citizens (Nelson 2008: 5). In the coffee sector, one often hears about unethical working conditions for the farmers such as no contracts in combination with low wages, children working in the fields (Zamora 2013) as well as exposure to harmful chemicals such as pesticides (IISD 2003: 7). John Ruggie writes in his interim report to the UN Human Rights Council:

> *"The role of States* [author's emphasis] *in relation to human rights is not only primary but also critical. The debate about business and human rights would be far less pressing if all Governments* [author's emphasis] *faithfully executed their own laws and fulfilled their international obligations"* (Ruggie 2006: 20).

Consequently, the pure responsibility for SD in order to address today's challenges should and cannot only lie in the hands of states. This is also what Nelson says: today's challenges are too complex and interrelated to exclusively be addressed by one actor (Nelson 2008: 4). Thus, alone the state cannot find a solution to the many problems; the international society as a whole needs to find a solution. This means, that all actors within the international society - civil society, state and businesses - need to contribute more to SD (Simeonov 2013: 6).

Corporate Social Responsibility (CSR) can be understood as businesses'[2] share to SD (Simeonov 2013: 6). The European Commission defines the concept as "the responsibility of enterprises for their impacts on society" (European Commission 2013 a). According to this definition, enterprises are perceived as a part of the society that should, like other actors as well, act in a responsible way. In the literature, scholars agree, that this is the core meaning of CSR (Matten & Moon 2008: 405). I will come back to a more comprehensive discussion of CSR at a later chapter.

[2] In this thesis I use the following words synonymously: business, corporation, enterprise, firm and company. I do make a difference between privately owned and public held companies.

1.2 Problem formulation

This thesis examines the problem of the provision of public goods within the coffee sector with focus on the companies' contribution through CSR. Global problems have also affected this sector and have an impact on people and the environment in both the producing as well as the consuming countries.

Coffee represents a major income for millions of small-scale farmers in 60 producing nations in Asia, Africa and Latin America. When including processors, industry workers, pickers and their families, 100 million people are directly or indirectly dependent on the cash income of coffee crops (Rice 2003: 230; Giovannucci & Potts 2008: 3). The abolishment of the International Coffee Agreement (ICA) in 1989, a system that was introduced to regulate coffee prices and quotas, led to a change in the power balance of the coffee chain (Bitzer et al. 2008: 271). While smallholders struggle to survive due to the low coffee prices on the market, roasting corporations dominate the chain and post record profits (Ponte 2004: 1). According to the Fairtrade Foundation, the annual income of a coffee farmer in Ethiopia is around $300 (Fairtrade Foundation 2013). By contrast, Löfbergs Lila AB (Löfbergs), one of the largest coffee roasters in the Nordic region, have an annual sales income of $154 million (Löfbergs 2013 d).

This imbalance is reinforced due to the lack of an international governance system for the protection of public goods along the coffee supply chain, such as environmental and human rights protection. A lot of attention has been given to international corporations, which have been accused of being the perpetrator of these unfair conditions while externalising the costs that are connected to the public goods (Potts 2004: 7).

Adding to the already marginalised situation of the smallholders, the impact of climate change, such as higher temperature and extreme weather events, is threatening to increase the poverty dramatically as they might lose their yield and thereby their income (SIDA 2013). At the same time, the world coffee market is at risk due to fewer suitable production areas, which will have an impact on the price, especially in the specialty coffee sector (Haggar & Schepp 2012: 9). Following on, multiple actors in the coffee supply chain, including big corporations and the end consumers, might see themselves affected by the impact of climate change in the future.

In order to strengthen the farmers and protect the environment in a sustainable way, sustainable standards and ethical trade schemes such as Fairtrade, eco-label and codes of practice (Ponte 2004: 8) were developed and different organisations such as the International Coffee Organization (ICO) established to address exactly these problems. Coffee companies have through their CSR approaches tried to contribute as well, however often observed with critical eyes, as their role to address SD has often been questioned (Frynas 2005: 586).

Löfbergs[3], is in focus of this thesis in order to shed light on the capacity of CSR. Founded in 1906 and based in Sweden, the family owned firm employs around 200 staff and is one of the largest importers of Organic and Fairtrade coffee in Europe (Löfbergs 2013 d). With several CSR initiatives, they try to approach the multiple problems affecting the coffee sector. In 2001 they have, together with four other privately owned coffee companies founded the International Coffee Partners (ICP) initiative. Through this sector[4] specific collaboration with other European coffee companies Löfbergs seek to "finance and implement development projects to improve the living conditions for smallholder coffee farmers" (Löfbergs 2013 a). One of their projects 'Coffee & Climate' (C&C), which is constituted as a partnership with the German International Cooperation (GIZ) and further stakeholders, addresses the manifold challenges that arise with global warming.

The value of partnerships between two or more actors to fight against 'public bad' have been discussed and viewed as advantageous by many scholars from different disciplines (Bitzer 2012: 14; Francken 2006: 2). However, companies have often been criticised for favouring their profits over the good for society and the environment (Newell 2005: 552). Thereby they would often only invest in peripheral CSR initiatives in order to attain corporate goals without a sustainable impact for the wider society (Frynas 2005: 586). ICP however clearly formulate that their goal is "to contribute to the sustainable transformation of the coffee sector in regions and countries" (ICP 2013 a). Therefore I would like to investigate with reference to a practical example, what it is that drives companies to engage in such public good projects and what the potential of Löfbergs' CSR work is to evoke change towards SD.

[3] Löfbergs Lila AB is part of the group AB Anders Löfberg that unites several subsidiaries in different European countries (Denmark, UK and the Baltic) (Löfbergs 2011/2012: 25).
[4] 'Sector' in this case refers to the private sector.

In this thesis I focus on the collaboration of Löfbergs with the other coffee companies within ICP and their endeavour to address SD in the coffee sector. Following my research question reads as follows:

To what extent does Löfbergs' CSR work contribute to Sustainable Development within the global coffee chain?

1.3 Structure of the thesis

This thesis is an examination of the CSR work of Löfbergs and its potential to contribute to SD. Thereby my focus is one dimension of SD, the environmental climate, which is addressed by the collaboration of coffee companies with other stakeholders through their C&C project. Within this dimension I will only look at one part of one sector in a single country: the coffee chain of Löfbergs in Brazil. Brazil has been chosen as an example in order for the reader to get a contextual understanding and because most of Löfbergs coffee is coming from there. Since I did not have the opportunity to travel to the farmers and study the actual effect of the development projects, I will approach the research question from a governance perspective. Leading on, Löfbergs cooperation with other coffee companies (ICP) and its partnership with other stakeholders through an actual project, the C&C project in Brazil will serve as a case on the basis of which the problem of collective action towards a global sustainable climate will be examined in depth. I study which capacity the collaboration might have on the promotion of sustainable change in the global coffee chain.

The knowledge produced is case-specific, and thus cannot be generalised. This means that the conclusions cannot be used to state something universally valid for the entire sector, rather this thesis provides an in-depth analysis of one specific and focused phenomenon. This case is a contribution to the overall research in the area of CSR and can help to understand the complexity of a real life scenario. Even though the aim of this thesis is not to find generalised answers, some of the findings that are true for Löfbergs coffee chain might also be true for other coffee chains and might even mirror issues related to the big global problems of climate change.

The second chapter of this thesis will provide the reader with some relevant background information to get an understanding of the context in which my problem formulation is embedded. First of all, the sustainable challenges within the coffee chain as well as new trends in consumption and growing are mentioned, in order to draw a picture of the environment in which Löfbergs are operating. In the next step, CSR is looked upon in a historical perspective and I further try to find a definition of CSR. This background knowledge is deemed important as my problem formulation lies within this discourse. The last three subchapters introduce Löfbergs CSR approach, the C&C project and the role of partnerships.

The analysis chapter consists of both the theory, as well as the analysis and takes Gereffi's Global Commodity Chain analysis as a framework, which should help to structure this chapter. Furthermore, his approach can be used to understand change, which is how I will investigate on the capacity of Löfbergs' CSR method to contribute to SD. In particular, as suggested by Gereffi, I will investigate governance structures that could evoke change. In order to do so, both Olson's theory of collective action and hegemony theory are applied to my data. I further touch upon regimes, which have been suggested as a possible solution to address collective action problems. In the conclusion, I briefly sum up on the findings of the 'theory and analysis' chapter and try to find an answer to the research question. Last but not least, the perspective chapter connects the findings of my thesis to other related areas, gives recommendations and considers future factors that might have an influence on SD within the coffee chain.

This thesis is based on a literature study and semi structured in-depth interviews. CSR has increasingly attracted the interest of a wide range of scholars within political science, business and economics, sociology, anthropology and geography, which is why I have viewed a large variety of literature from different schools. The literature study comprised literature on CSR, Sustainable Development, global commodity chains, sustainable initiatives in the coffee supply chain such as Fairtrade and Organic certifications, sector-specific and multi-stakeholder partnerships. Furthermore I have looked into Gereffi's Global Commodity Chain analysis, Olson's Theory of Collective Action, hegemony and regime theory.

The interviews have been conducted with a manager from Löfbergs, Kathrine Löfberg and Michael Opitz from ICP. Due to the case specific knowledge that I wanted to gain, qualitative interviews were deemed as advantageous. Furthermore the concept of SD is intangible, difficult to measure and to express in numbers, at least in most respects. Therefore talking to the people that are involved in the CSR project seems to be the best way of understanding in what way Löfbergs' CSR work contributes to SD. Further interviews with other stakeholders could have been helpful to gain a more complete picture of the capacity of Löfbergs' CSR work. While GIZ and other coffee companies had their own reasons why they did not want to talk to me, time and language limitations did not allow me to conduct interviews with other stakeholders such as the involved Brazilian NGOs for example.

2. Background

In order to analyse my material, it is necessary to outline the context. This section therefore begins with the presentation of a typical supply chain in the coffee sector, a historical review which points to sustainability challenges, trends in the sector and the introduction of Löfbergs and its coffee chain. The next sub-chapters shed light on the concept of CSR, historically and with an attempt to define it as well as its motivational factors. Furthermore Löfbergs' CSR work is presented by focusing on the C&C initiative, which has been developed within ICP. Last but not least the role of partnerships is introduced.

While 90% of the coffee production takes place in the developing countries, its consumption happens mainly in the industrialised countries (Ponte 2004: 1). This relationship mirrors the North-South relation, and the multiple challenges that are involved. In order to approach the research question it is important in a first step to understand the social, economic and environmental problems, which influence the coffee supply chain. A supply chain shows all activities and processes that are involved in the development of a product from its raw state to a finished good to consumption, as Löfbergs calls it "from bean to cup" (Löfbergs 2013 e). Often supply chains within the coffee sector are very complex, with beans changing hands several times on their way from the producer to the consumer (Fairtrade 2012: 19).

The following figure shows the supply chain of coffee in a simplified manner:

Figure: Supply chain of coffee (Fairtrade 2012: 10; Ponte 2002: 1102)

Further, more detailed information on Löfbergs' coffee chain in Brazil is provided in chapter 2.3 where I introduce the reader to the actors involved.

2.1 Sustainability challenges in the coffee sector

In the literature, the history within the coffee sector is often divided into two phases: the ICA regime and the post ICA regime. A pioneer of the ICA regime can be dated back to 1902, centred around Brazil. Due to the large share of coffee production (75 – 90%) the Brazilian state was able to manipulate the prices (Ponte 2002: 104).

From 1962 until 1989 the global coffee sector was governed by the ICA, which was managed by the International Coffee Organization (ICO). This agreement between governments of producing and importing countries was based on a price band and quotas, which kept the prices of coffee relatively stable. Ponte concludes, "although there were problems with this system, most analysts agree that it was successful in raising and stabilizing coffee prices" (Ponte 2002: 1104). Thus, during this phase, there was a balance between the actors, as no single actor was driving the coffee chain (Ponte 2002: 1105).

The agreement collapsed in 1989, mainly because countries could not agree on new exporting quotas. Consequently, with no government intervention in export and marketing processes, the prices were free to fall. This period is often referred to as 'the coffee crisis'. As a result of the deregulation, the income of producers dropped significantly. While the producers gained 20% of the total income along the coffee chain before the collapse of the ICA (1970 – 1989) they only gained 13% after the collapse (1990 – 1995). On the other hand the proportion of the total income of the consuming countries rose from 55% before the collapse to 78% after the collapse (Ponte 2004: 8). This change of situation represents a transfer of resources from the producing countries to the consuming countries (Ponte 2002: 1106 – 1107; Ponte 2004: 5). In the late 1990s the prices decreased further, due to oversupply within the sector, mainly because of the boost of Brazilian supply and the market entrance of Vietnamese coffee (Ponte 2002: 1102; Muradian & Pelupessy 2005: 2029). Although the prices have recovered after the crisis, a new downward trend can be seen since 2011 (ICO 2013 b). After the collapse of the ICA, the coffee chain is described as 'buyer-driven' with international traders, retailers and mainly coffee roasters being the powerful actors in the coffee chain (Bitzer et al. 2008: 272).

The roasters maintained their retail prices at relatively stable levels besides the fall of green coffee bean prices, pointing to an even more increased profit on the roasters side (Ponte 2004: 5). With increased flexibility in blending and thus less dependence on the traders as well as 'supplier-managed inventory', which reduces stocking costs, the roasters have finally gained control over the coffee chain. Another characteristic of the coffee market in the aftermath of the ICA regime is the control of only a few big actors, both within traders and roasters (Ponte 2002: 1107).

As a consequence, many coffee producers have been pushed down below the poverty line; sometimes even as far as starvation (Muradian & Pelupessy 2005: 2030). Their situation is even worsened by short-time price volatility, which can occur due to the impact of weather conditions and diseases of the plants (Fairtrade 2012: 7). The permanent pressure of unstable income combined with no regulation and enforcement mechanisms for the provision of public goods, leads to sustainability challenges at the production level such as poor working conditions, biodiversity decline and environmental degradation (Bitzer et al. 2008: 272). These problems are further intensified because many farmers do not have the knowledge to produce coffee in an efficient manner; neither do they know about marketing advantages and the quality demand on the international market (Bitzer et al. 2008: 272; Ackermann 2001: 13). Farmers in Latin America have for example tried to save production costs by cutting back on practices normally carried out in the agricultural coffee cycle resulting in the erasure of wages and loss of 170,000 jobs (Rice 2003: 230). The low prices of coffee on the market have also encouraged farmers to turn their coffee fields into coca fields, as coca is easier to grow, producing several crops a year (coffee only grows one crop a year) and the income surpasses that of coffee almost by a factor of four (Rice 2003: 231).

The harmful production practices such as the inadequate use of chemicals are not only a challenge for the farmers, but also a threat to the sustainable environment. Furthermore, the 'technification' of coffee cultivation, which should intensify production, has a negative effect on the local fauna (Ponte 2004: 1; Rice 2003: 231). Added to this difficult situation is the impact of global warming, which especially challenges the smallholders. The growing of coffee is dependent on stable temperatures and is therefore fairly intolerant to changes in the climate. Higher temperatures and extreme weather events such as heavy rain and droughts are a threat to the coffee crops.

They affect the flowering stage as well as the drying phase of the harvested beans. Soil fertility is reduced as a consequence of droughts (Nelson et al. 2010: 14). It has been anticipated by scientists that in the near future the areas, suitable for the production of coffee, will be reduced. Thereby numerous smallholders would be compelled to either plant other crops or move to the cities in order to find other jobs (Haggar & Schepp 2012: 9, 14).

Summarising, the current situation is marked by low prices on the coffee market, the domination of the chain mainly by traders and roasters and the lack of a governance system. This has led to a marginalised situation for farmers and simultaneously threatens environmental sustainability, worsened by the impact of global warming.

2.2 New consumption patterns and the growth of sustainable coffee

Since the 1990s, the coffee sector has been shaped by the emergence of new consumption patterns with a growing interest in specialty, fair-traded, and organic coffees (Ponte 2002: 1110). Due to the big coffee roasters' focus on consistency in price, packaging and flavour, which culminated in the homogenisation of blends, the overall quality of coffee has decreased. As a consequence, specialty coffee emerged (Ponte 2002: 1110). Since everybody understands the term differently, it is difficult to define specialty coffee. However, according to Ponte "all coffees that are not traditional industrial blends, either because of their high quality and/or limited availability on the producing side, or because of flavoring, packaging and/or 'consumption experience' on the consumption side" (Ponte 2002: 1110) can be understood as specialty coffee. Specialty coffee accounts for around 10% of all exported coffee (Rice 2003: 227).

Ethical trade, which can be defined as "any form of trade that consciously seeks to be socially and environmentally, as well as economically, responsible" (Tallontire et al. 2001: 5) emerged, according to Ponte, as a response to ethical consumerism (Ponte 2004: 8). As the definition of ethical coffee contains the three characteristics of SD, sustainable coffee can be used synonymously (Ponte 2004: 8). However, there is no universally accepted definition for sustainable coffee (Bitzer et al. 2008: 278). According to ICO Fairtrade, Organic and eco-friendly coffee can be considered sustainable coffees, as

> *"These three general types possess intrinsic qualities that most closely fulfil the balanced social, environmental, and economic requirements necessary for sustainability"* (ICO 2013 a: 14).

The 'trend' towards more specialty and sustainable coffee from the customer side can be ascribed to several events: There is a general trend towards organic products, healthy diet and food safety (Ponte 2002: 1111) and customers seem to be more engaged as they want to know where their products come from (Ponte 2004: 8). This is also what Löfbergs recognise: "we are noticing increasing interest in the origins of coffee and how people and the environment are affected" (Löfbergs 2011/2012: 8). Following, the public interest for quality, methods of production and security for the worker increased (Giovannucci & Potts 2008: 2). Bitzer ascribes the adoption of ethical trade to the efforts of non-governmental organisations (NGO), which, mainly starting in the 1990s, put the international corporations with their campaigns, supported by the media, under pressure. As a consequence, coffee roasters adopted codes of conduct and integrated sustainable coffees such as Fairtrade in their portfolio and engaged in partnerships with governments and NGOs (Bitzer et al., 2008: 274). Firms have seen how vulnerable their brand can be regarding their reputations (Ponte 2004: 8), which can be understood as a motivation for them to integrate sustainable business practices.

Roasters are challenged to keep up with the increasing interest of customers in specialty coffee with higher quality from single origin and ethically traded as they were used to offer relatively homogeneous blends with poor quality (Ponte 2002: 1110). A central issue with ethical trade is that it is driven by consumers and businesses in developed countries and as such have been criticized to erect new entry barriers to producers in developing countries (Ponte 2004: 40).

Today, certified coffee constitutes 8% of world exports of green coffee beans with Fairtrade, Organic, Bird Friendly, Rainforest Alliance and UTZ Kapeh being the most popular ones (ICO 2013 c). Löfbergs offer Fairtrade, Organic, UTZ Kapeh, Rainforest Alliance, and KRAV (a Swedish organic labelling) (Löfbergs 2011/2012: 12). 12% of Löfbergs coffee is both Fairtrade and Organic certified, 6% have the Organic and 2% the Fairtrade label (Löfbergs 2011/2012: 13). As Fairtrade and Organic are said to be the strictest and most important certification systems (Bitzer 2012: 20; Raynolds 2008: 1084) and as they account for the majority of certified coffee within Löfbergs I will shortly introduce these ideas. These two concepts are also the ones I will focus on and refer to as sustainable coffee throughout the thesis. Due to space restrictions I will not go more in depth with the other certification systems.

Fairtrade

In 1988 the first Fairtrade label 'Max Havelaar' was launched in the Netherlands, followed by similar initiatives in other European countries and the United States. Nine years later, the Fairtrade Labelling Organizations International was established as an umbrella to unite these labelling initiatives and to harmonise its standards (Fairtrade 2013 b). The fair trade idea already emerged in the 1960s, as an alternative market system to change the current buyer-driven governance structure with trade relations being dominated by big corporations from consuming countries. The idea was to give more power through better trading conditions to the producers and workers in the South (Bitzer et al. 2008: 272) by paying a minimum price that tracks slightly above market rates. Additionally, a 'Fairtrade premium' is added which goes directly to the cooperative[5] and can be invested in community projects that enhance social, economic and environmental development. Fairtrade certification simultaneously gives assurance to the consumers, that the coffee has been produced under strict social standards with healthy working conditions and prohibition of child labour. Furthermore, land is used sustainably with no degradation of natural ecosystems (Fairtrade 2013 a). Fairtrade has been criticised for quality failure and for excessive administration costs, which are usually placed upon farmers, eventually leading to entry barriers for farmers to join the certification schemes (Bitzer et al. 2013: 11; Muradian & Pelupessy 2005: 2034).

Organic

Organic farming was developed through government regulations, dating back to 1980. It was a request from organic growing farmers due to problems with fraudulent marketing of organic products. Furthermore, a system, which defines standards, was needed from the political side to subsidise organic farming (Ponte 2004: 17). The label ensures the respect of natural life-cycle systems while minimising the human impact on the environment. It is based on numerous principles, which regulate for example the use of pesticide, prohibit genetic manipulation and foster the growing of plants which are resistant to disease and have the ability to adapt to local circumstances (European Commission 2013 d). Transaction costs are seen as the main entry barrier to this certification. Organic certification has been criticised for imposed paper burdens on traditional government systems (Muradian & Pelupessy 2005: 2034).

[5] A cooperative is a group of farmers that are jointly owning and running the farm. They share their benefits.

2.3 Löfbergs' coffee chain in Brazil

In order to analyse Löfbergs' CSR method and its impact on SD, it is of importance to understand their coffee supply chain and to know the firm's stakeholders. I will come back to Löfbergs' stakeholders in connection to their CSR work later in the chapter 2.7/2.8. All parties that have a role in the coffee chain of Löfbergs can also be considered stakeholders. According to Freeman, stakeholders are either a group or an individual that has some kind of interest in the business operation of an enterprise because they are affected by their decision (Freeman 1984 in Garriga & Melé 2004: 62).

The following part refers both to literature review as well as to an interview with Kathrine Löfberg, the communication manager and forth generation descendant of Löfbergs. At this point, it needs to be stated, that the reliability of the information gained through the interview with Kathrine Löfberg can be questioned since she is biased as a stakeholder. As a successor of the family business (Löfbergs 2013 d) Kathrine Löfberg has a personal interest in the good image of the company. Being a manager in the communication department, she furthermore has the ability to express herself in a way that promotes the company.

In their product portfolio Löfbergs have mainly coffee blends, some of them (26%) being certified by Fairtrade, Organic or other certifying organisations, however with the aim of 100% certified coffee by 2016 (Löfbergs 2011/2012: 12). They purchase from 24 different producing countries with the approximate involvement of 40,000 farmers (Löfberg Phone interview 2013: 2:40 – 3:00). The usage of blends from different countries makes it difficult to keep track on its actual origin. However, the origin of most Löfbergs' blends is Brazil while the country simultaneously is the biggest exporter of coffee beans. Therefore it will be used as an example to explain the coffee supply chain of Löfbergs.

From October 2012 to September 2013 Brazil exported 30,949,740 bags (1 bag = 60 kg) of coffee beans, accounting for 29% of the global supply with a value of $4.4 billion (ICO 2013 d). Minas Gerais is the main coffee growing state in Brazil, benefiting from an average ambient temperature of 21°C during the entire year and accounting for more than 50% of the annual production (Haggar & Schepp 2012: 18). Coffee has historically been important since the 18^{th} century, being a catalyst for Brazil's economic growth (Watson &

Achinelli 2008: 226). However, today coffee only represents around 3% of the country's total exports (Trading Economics 2013).

Farmer/ Smallholders

Farmers usually grow their crops on a small plot of land. 80% of all coffee farmers worldwide are smallholders, farming three hectares or less (Fairtrade 2012). In Brazil 71% of farmers plant their crops on less than 10 hectares, 25% on less than 50 hectares, and only 4% of farmers have more than 50 hectares to use (Haggar & Schepp 2012: 9). As many as 290,000 farmers are directly dependent on the income of coffee crops with eight million people being indirectly affected through employment in the sector (Lewis 2013).
Half of Löfbergs' coffee comes from "small-scale family farms that harvest five to ten bags a year" (Löfbergs 2011/2012: 12), which might do some processing like drying or hulling themselves. Typically they sell their beans through middlemen to local traders or cooperatives, which then channel the beans further to a processing plant and thereafter to international traders (Ponte 2002: 1102). As stated, Löfbergs buy from many different countries and there are many farmers involved, which means, that they "do not know all the farmers" (Löfberg Phone Interview 2013: 4:44 - 4:48). However, by travelling to the origin countries where they "talk directly to the people on site and advise them" (Löfbergs 2011/2012: 12) they „check how they [the farmers] treat the environment and also the people working there" (Löfberg Phone Interview 2013: 4:34 – 4:40). Löfbergs can also affect the farmers' production methods by means of certification, which are seen by a growing amount of companies as a way to demonstrate good production practices (Ponte 2004: 8). Furthermore, through the development projects within ICP they claim to "create a positive development for people as well as the environment" (Löfbergs 2013 e).

Intermediaries/Middlemen

Intermediaries might be involved in several stages of the coffee supply chain before the green coffee beans are sold to traders. They collect for example coffee cherries from several farmers and sell them to processors (Fairtrade 2012: 10). When Löfbergs' employees travel to the origin countries they intend to empower farmers so they merge with other farmers, thereby gaining power and eventually have the possibility of not being dependent on middlemen:

> *"When we meet the farmers and the farmer groups we also try to influence them maybe to get them together to organise them in cooperatives or farmer groups. Because of course they are very much in the hands of them that come and buy their*

coffee when the coffee is ready, they have a lot of these middleman. (…) when they go together they have a larger possibility to have more power, maybe they can even get rid of middleman if they are not all by themselves doing everything. So we try to influence them when we are out there and give them ideas and thoughts what to do in a better way" (Löfberg Phone Interview 2013: 5:30 - 6: 30).

Processing plant

The processing from cherries into green coffee beans is either done by individual farmers, which have the equipment to do so or by cooperatives.

Cooperatives/ *larger entities*

Löfbergs try to avoid middleman or bigger trading houses because it is important for them to buy the coffee "as close as possible to the source" (Löfbergs 2013 b).

They buy the green coffee beans from cooperatives or *larger entities*:

> *"We have the ambition to be as close as possible to the actual farmer point, so of course there are a lot of cooperatives we buy from, but also from other larger entities that small farmers come to and collect their coffee together. Because of course one farmer can maybe produce what we can use in one hour here in our production"* (Löfberg Phone Interview 2013: 1:30 – 1.50).

Nevertheless, traders and exporters, who buy from cooperatives and local traders, might be involved before the coffee gets shipped to Gothenburg. Kathrine Löfberg also highlights the "very long relationships with the one we [they] buy from" (Löfberg Phone Interview 2013: 2:20). Furthermore they have a purchasing policy and their own code of conduct, where they for example clearly state, that they do not accept child labour (Löfbergs 2012/2013: 14). The code of conduct has been signed by all the suppliers. Thus, "all the coffee we [they] buy is grown in accordance with our [their] requirements" (Löfbergs 2011/2012: 12). While travelling 150 days a year to the origin countries, Löfbergs "follow up on that [the code of conduct]" (Löfberg Phone Interview 2013: 03:31). However, there is no third party verification and monitoring to assure the compliance.

Retailers/supermarkets/restaurants

After the roasting of the coffee beans in Löfbergs roasting houses and after the transformation in the respective product, they are sold to retailers, supermarkets and restaurants.

Consumer

The consumer can buy Löfbergs coffee in supermarkets, online or consume it in restaurants.

2.4 Historical perspectives of CSR

In the introduction of the thesis, CSR and some related factors have been touched upon. In this chapter some historical perspectives are presented. It is important for the reader to have a solid understanding of related CSR matters and discussions as the problem formulation lies within this field.

CSR is not a new concept; its roots can be found before World War II (Carroll & Shabana 2010: 86). Since the 1950's, many discussions on CSR have taken place (Garriga & Melé 2004: 51). An executive of an American oil company, Frank Abrams, discovered in 1951 that business is not all about profit but that its employees, customers and the public as a whole need to be taken into consideration (Abrams 1951, in Carroll & Shabana 2010: 86). In 1953 Howard R. Bowen, who is seen as the father of CSR, published his book 'Social Responsibilities of the Businessman'. He defines CSR as "the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 1953: 6). Thus, according to Bowen, it is the businessman who has a responsibility for the society. This view was challenged by Archie Carroll who dedicated all his life to research the issue and is one of the most prestigious scholars within CSR (Murphy & Schlegelmilch 2012: 1807). He shifted the focus from Abrams businessman to the corporation, which according to him was to be held responsible for business operations. In 1979 Carroll developed four types of CSR that are still widely used. According to Carroll, "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll 1979: 500).

In the 1980s and 1990s the field was further developed both in Europe and in the US. In Europe, the focus was on the institutionalisation of business ethics as well as on environmental issues and sustainability (Robertson & Schlegelmilch: 1993; Murphy & Schlegelmilch 2013: 1808). Later, European CSR discussions have been extended by topics such as corporate citizenship, relationships with stakeholders, accountability and corporate sustainability (Garriga & Melé 2004: 51).

Today, it seems that CSR discussions are on everyone's lips. There are specific journals, magazines, books, blogs, webpages, departments and conferences on the issue. Enterprises open up CSR related jobs; even Master programs with a major in CSR (CBS 2013;

Probana 2013) have been developed; a sign for its current and on-going interest and importance.

The concept is further promoted by several institutions and international organisations such as the European Union (EU), the UN and the Organisation for Economic Cooperation and Development (OECD) which have developed internationally recognised CSR guidelines and frameworks: the OECD Guidelines for Multinational Enterprises, the 10 principles of the UN Global Compact (UNGC), ISO 26000 Guidance Standard on Social Responsibility, UN Guiding Principles on Business and Human Rights and the International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy (European Commission, 2013 b). However, the adaptation of those guidelines and principles is voluntary, expressing just a hope that corporations base their activities on them.

Within the coffee sector, CSR seems to only have received attention in the last twenty years. In a study between 1994 and 2005 Kolk found out that there were only fifteen coffee producing enterprises that have voluntary adapted a code of conduct. The only European initiatives were from Nestlé (Kolk 2005: 230). This shows how much the interest and investigation in CSR in this sector has grown within the last decade, since CSR commitments, sustainability initiatives, sustainable coffees and alike are to be found on almost every coffee companies' website and product portfolio (ICO 2013 a).

2.5 Towards a definition of CSR

The way the European Commission defines CSR with the businesses obligation to be responsible for their impact on society is widely used. However, there is no commonly accepted definition of CSR (Crane et al. 2008: 4). This is, according to Matten & Moon because CSR is an 'umbrella-term' for many related concepts and because values are changing over time and so does the understanding of the concept (Matten & Moon 2008: 405). Windsor Duane calls it a 'cluster concept' as it overlaps with many other concepts such as

> *"Business ethics, corporate citizenship (CC), corporate environmental responsibility (CER) or sustainability, corporate environmental and social responsibility (CESR), corporate social performance (CSP), philanthropy, stakeholder theory, sustainable development (SD), and triple bottomline (TBL)"* (Windsor 2013: 1939).

Another complication that arises when trying to define CSR is that it can be seen as an ideological matter to do so, depending very much on the viewpoint regarding businesses and its roles in society of the one who is trying to define it (Crane et al. 2008: 6). Garriga & Melé have developed a classification of CSR by considering the interaction between business and society. Thereby they classified CSR in four groups: (1) instrumental, where CSR is seen as an instrument for profit generation, (2) political, where the power of corporations is in the focus, (3) integrative theories, where businesses ought to integrate social demands and (4) ethical theories claiming businesses have an ethical obligation towards society (Garriga & Melé 2004: 52,53).

In today's CSR discussions, one often comes across the importance of the concept being integrated within the core business of a company. Davis-Peccoud et al. notice that there is a change of trend from more peripherally related programs to programs that are more integrated in the core business of the firm (such as purchasing, manufacturing and distribution) (Davis-Peccoud et al. 2013: 1). This is also what the European Commission expresses when elaborating on their definition. They state that in order to

> *"(…) fully meet their social responsibility, enterprises should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders"* (European Commission 2013 a).

This definition highlights firstly, that CSR should be integrated in all business operations as well as in the core strategy of an enterprise. Secondly, the responsibility corporations have towards all of their stakeholders is outlined. CSR is hence not about how the profit of a firm is spent; it is rather about how it is earned. Following on, it is not about sponsoring and giving money to charity, which can be seen as an additional element to the business (Gjølberg 2011: 3). CSR is rather about the 'heart' of the business operations of a corporation and guarantee that all activities a long a supply chain are performed in an ecological, ethical and sustainable way.

Some scholars, such as Jane Nelson for instance, argue that CSR is not only about responsibility of corporations within the core business operations and investments (this would be Nelsons first sphere). She says that there are two more components to it, which she calls 'spheres', on how an enterprise can influence their overall positive impact on the society. There is the 'strategic philanthropy and community investment'-sphere, where initiatives aim to support the communities in which the enterprise operates through the company's people, premises and products.

Moreover, she describes the 'public policy dialogue, advocacy and institution building'-sphere which is described as the company's efforts to engage with governments and to participate in public policy dialogues in order to achieve public capacity building, the strengthening of institutions and the delivery of public goods. Nelson states that while all three spheres are important to enterprises and often used, especially within large enterprises, the adaptation depends on the nature of the company and the context in which it operates (Nelson 2006: 2).

2.6 Motivation factors for enterprises to invest in CSR

Considering the reason for enterprises to exist, it does not seem obvious why they should act ethically and engage in SD. Businesses have one clear goal, which is to make profits. Without profits, a firm cannot survive on the market. What Garriga and Melé call 'instrumental theories' explain that CSR is used only as a strategic tool to generate profits. Friedman, a well-known representative of this group stated: "the only one responsibility of business towards society is the maximization of profits" (Friedman 1970 in Garriga & Melé 2004: 53). Others have called it 'the business case for CSR', which expresses the use of social initiatives to obtain corporate aims (Frynas 2005: 586; Carroll & Shabana 2010).
There are a number of studies that try to prove that CSR engagement has a positive impact on business profit (Gjølberg 2011: 4). Decreasing cost through waste reduction, for example, can easily be seen on the balance sheet. Unilever is an example of a big corporation that is aiming to halve their environmental impact of its tea, sauces, soaps and other consumer goods, while doubling the sales (Davis-Peccoud et al. 2013: 1). By engaging in CSR, a firm can achieve a competitive advantage vis-à-vis less socially responsible firms (Frynas 2005: 584).

Another motivation factor for companies to engage with CSR, which is also indirectly linked to profits, is human resources. Convincing CSR strategies can have a positive impact on recruitment, retention and the productivity of employees (Davis-Peccoud et al. 2013: 1; Bendell 1988: 4). Employees are said to be more happy, as they can better engage with the firm, thus leading to less absence days and less fluctuation within the company, contributing to a more stable environment (Frynas 2005: 583; Davis-Peccoud et al. 2013:

1). However, those impacts cannot clearly be expressed in numbers.

Furthermore, corporations are often seen as being the perpetrator of human rights abuses and environmental damages. Through NGO campaigns, supported by the media, which is calling attention to the manifold problems, societal expectations have been expressed, compelling firms to act (Gjølberg 2013: 3). In order to prevent or cover up bad publicity connected to morally reprehensible practices, corporations invest in CSR (Frynas 2005: 585). This is why CSR has been criticised by some scholars for only being ‘a repair station’ or ‘cosmetics’ (HSGUniStGallen 2012).

Moreover, according to Simeonov, companies have realised that they are affected by the aforementioned challenges (‘public bad’ such as climate change) and at the same time they know, that they cannot operate in isolation (Simeonov 2013: 6). Hence, social initiatives can be seen as a way of maintaining a stable work environment (Frynas 2005: 583). Being more resource efficient, for example reduces the risk of disruption to the supply chain (Davis-Peccoud et al. 2013: 1). Consequently, when CSR is done right, it can provide a win-win situation for the company as well as the society (Carroll & Shabana 2010: 97).
According to critiques of the positive effects of CSR, firms will keep prioritising their own interests over those of environment and society (Newell 2005: 552). Thus, CSR is often seen as being only a marketing tool, instead of a contribution to SD (Frynas 2005: 568).

2.7 CSR at Löfbergs: The collaboration with ICP

On its homepage Löfbergs claim to treat its stakeholders in a responsible way from ‘bean to cup’ (Löfbergs 2013 b). This is also what they state in their sustainability policy:

> *“Through our conduct towards employees, customers, consumers, suppliers and the wider world, the group AB Anders Löfberg* [and thus Löfbergs] *shall consciously take on considerable social responsibility and work to achieve a better environment and economic growth. This will help us to ensure that future generations have a good world to live in”* (Löfbergs 2013 c).

Several measures were taken along the supply chain to guarantee more environmentally friendly transportation and processing as well as packaging. Moreover, they are participating in different sponsoring and charity events and are a member of several initiatives such as the Common Code for the Coffee Community (4C Association) - a multi-stakeholder coffee platform, Globalt Ansvar - the Swedish collaboration between the government and corporations and the Haga Initiative, which furthers the reduction of carbon emission (Löfbergs 2013 e). However, this will not be of major importance to answer the research question and is therefore only touched upon throughout the thesis.

The focus is rather at the farmer level and the collaboration with the ICP initiative. The farmer level can be seen as 'the core' business of Löfbergs, as this is where the company is sourcing its coffee. Without the green coffee beans, there would not be any 'lila coffee' as an end product. ICP and its projects in Brazil are presented both with the help of materials available from Löfbergs' as well as ICP's homepage. In order to extend the picture one gets from the internet presence, information, gained through interviews with Kathrine Löfberg and Michael Opitz, the general manager of ICP, is included. As a reader it is important to keep in mind, that Michael Opitz (like Kathrine Löfberg) is also biased to some extent and is therefore not a neutral reporter. Since he is the manager of the non-profit organisation and the Embden, Drishaus & Epping Consulting GmbH (EDE), which was entrusted by ICP to follow the operative activities, also conducts projects for other enterprises (ICP 2012), it might be important for Opitz to present ICP and the projects they conduct in a good light.

As mentioned, one way of approaching ethical behaviour is through buying what is considered sustainable coffee, such as Fairtrade and Organic, which is what Löfbergs do. Thereby some standards of how the coffee was grown and how the employees on the farm are treated can be assured (Fairtrade 2013 a; European Commission 2013 d). However, 74% of the coffee Löfbergs sell today to restaurants and retailers remain conventional coffee without any third party certification, which can be considered as not being responsible supply chain management.

Löfbergs further make an effort *to enhance smallholders' opportunities* through their development work with ICP (ICP 2013 b). ICP were founded in 2001 as a joint initiative by five leading European coffee companies: the Finnish Gustav Paulig Ltd., Löfbergs, Italian Luigi Lavazza S.p.A. and Tchibo GmbH and Neumann Gruppe from Germany. Joh. Johannson Kaffe AS of Norway joined the partnership in 2011 (ICP 2013 a). While the four first mentioned are roasting companies, Neumann Gruppe is the only trading company. It was their business relations that brought them initially together:

> *"There are business relationships between them* [the member companies]. (…) *The formation of International Coffee Partners was strongly influenced by very good*

and solid relationships between the owners of business" (Opitz Skype Interview 2013: 6:30 - 6:47).

As with Löfbergs, the other companies are privately owned, which means that they do not have to follow any interests of shareholders (Löfberg Phone Interview 2013: 27:40). ICP is a non-profit organisation, which implements development projects with the support of the Hanns R. Neumann Stiftung and its affiliate EDE often by partnering up with local and national organisations from both the public and the civil society sector (ICP 2013 c). Until today ICP have started 19 projects in 11 coffee growing countries (Löfbergs 2012/2013: 16). Normally, projects last between three to four years with the logic that "they can start small and then over time grow" (Opitz Skype Interview 2013: 19:49 – 19:55).

The aim of the projects is to improve the livelihood of the farmers through "help for self-help" (ICP 2013 b), which means to "enable farmers to develop skills, to develop a different mindset, which can change their situation for long [for the long term]" (Opitz Skype Interview 2013: 21:00 – 21:11). To achieve this goal, sustainable production and processing schemes are central to the ICP projects: "ICP wants to contribute to the sustainable transformation of the coffee sector in regions and countries" (ICP 2013 a). The projects offer, for example, technical assistance in coffee growing, diversification and capacity building in marketing, processing and improvement of infrastructure. One of ICP's key ideas is that beneficiaries are able to participate in sustainable certification through the knowledge gained in the projects (ICP 2012).

In Brazil, to be more precise in Minas Gerais, ICP have already finished one project, where they made "technical guidance accessible" to a smallholder (ICP 2013 d). In the project the farmer learnt to use soil and leaf analysis, which allows him[6] do dosify fertilisers in an efficient way, while complying with the guidelines for control of pests and diseases for coffee production. This has lead to improved crop and knowledge about the quality, which put him in a better bargaining position with the local traders in a long-term perspective (ICP 2013 d).

[6] In order to make it easier for the reader, I use 'he' when talking about a single farmer. However it is not meant in a discriminatory way and should enclose both genders.

2.8 Coffee & Climate and the involved actors

The current C&C project, which was created within ICP, is the focus of this thesis and is used to analyse the capacity of the collaboration between the ICP members as a catalyst for SD. ICP together with GIZ within the Federal Ministry of Economic Cooperation and Development (BMZ) program develoPPP.de initiated the C&C development project. Having discussed challenges from earlier ICP projects, they found out that climate change was often to blame when a project did not work out the way they expected:

> *"It came from the perception that in the projects that we were implementing with them quite frequently we reported back to the ICP shareholders about the challenges of farmers in producing. And climate came up quite often as an excuse, why productivity was not developing as expected. So jointly we assessed the situation and said, maybe climate change is already more imminent than we thought.* (…) *This is what we discussed with ICP and this is what we started to discuss with GIZ. Because at this point the organisation already signalled to us that they also had an interest in working with climate change"* (Opitz Skype Interview 2013: 44:00-44:56).

Other companies (Ecom Coffee, Frank d.d., Tim Hortons) later joined and ICP are currently also recruiting more to join as the C&C project is "precompetitive, [and] open to include further dedicated parties" (C&C 2013 a: 1). Together with the Swedish International Development Agency (SIDA), which joined at a later point, they form a supra-regional development partnership with a focus on coffee and climate change. Further partners such as the Commonwealth Agricultural Bureaux International (CABI), the Brazilian Agricultural Research Corporation (Embrapa) and the International Center for Tropical Agriculture are involved in the project (C&C 2013 a). Embrapa is a semiautonomous body under the Brazilian Ministry of Agriculture, Livestock and Food Supply (Beintema et al. 2010).

The aim of C&C is to enable coffee farmers to effectively respond to changing climate conditions by learning to use environmentally friendly cultivation techniques. This will be achieved through an on-going learning process, which can be seen as a cycle that involves "local risk assessment, identification of potential solutions, field validation and continuous monitoring and evaluation" (C&C 2013 b). C&C further aims at developing a toolbox in a systematic, comprehensive and practical way. Through pilot projects in key coffee regions in Brazil, Trifinio (Guatemala, El Salvador, Honduras), Tanzania and Vietnam data can be collected and adaptation and mitigation strategies presented in the toolbox. Those strategies can then be adjusted to specific local conditions with the support of producers and service providers that were trained and through capacity building activities for multiple stakeholders along the green coffee chain. In the long run a self-financing institutional framework should be established as well as a platform, which should help to spread the use of the toolbox (Laue 2013: 7).

2.9 The role of partnerships: Cooperation to provide public goods

ICP can be seen as a private sector collaboration of different companies, which can also be called a sector specific or intrasectoral collaboration. There seem to be several motivational factors for enterprises to collectively work together towards SD. First of all, as can be seen in the coffee sector, enterprises see their business endangered through climate change and scarcity of resources for instance. They are all facing the same problems and challenges and have also realised that they cannot work in isolation. Thus, through collaboration with other enterprises they can ensure fair competition, with no advantages to either side and might be even able to avoid public regulation. Secondly, due to negative externalities in communities they operate in and due to an increased involvement of corporations in the provision of public goods in general, the expectations of the society are raising. By collaborating with others, the trust in the society can be enhanced and the enterprises guarantee thereby their licence of operating in the field. Furthermore, when operating in isolation, the impact can never be as great compared to working in collaboration toward public goods (Simeonov 2013: 8,9; Bitzer 2012: 31). Another advantage is that transaction costs can be reduced due to the creation of synergies (Trautner in Simeonov 2013: 7).

ICP further collaborates with other stakeholders such as NGOs and government agencies. C&C is an intersectoral partnership, which is defined as an institutionalised collaboration of at least two or more different actors of the society: businesses, civil society and state (Bitzer et al. 2013: 6). Others have used alternative expressions for intersectoral partnerships such as cross-sector partnerships or multi-stakeholder alliances (Bitzer 2012: 5).
To foster SD, many scholars have suggested those partnerships between different actors in the society as being most efficient in addressing the provision of common goods. Bitzer for example states, "partnerships are often considered as innovative mechanisms to overcome single actor failure in the context of globalization, and advance public goods as well as private interests" (Bitzer 2012: 14).

The advantage of partnering with actors from other sectors lies within their respective experiences and networks (Bitzer et al. 2012: 358, 359). While the members of ICP have the business knowledge and comprehend the problems that arise within this sector, government agencies such as GIZ and NGOs have the know-how of fieldwork, the necessary networks and know about methods from earlier projects.

3. Analysis and theory

The following chapter entails the theory used as well as the analysis of this thesis. Aspects of Global Commodity Chain (GCC) analysis are used as an analytical framework to guide the reader through this chapter. Olson's theory of collective action and the concept of hegemony are applied to the CSR activities of Löfbergs in order to approach the research question.

In a first step Gereffi's GCC analysis is introduced, which should help to explain if changes have occurred through the C&C project towards increased sustainability in Löfbergs' coffee chain. The governance dimension is thereby in focus due to its possibility to change. In order to investigate on the governance role of Löfbergs in their chain I further introduce the concept of hegemony. The next step is to investigate on SD: What does a sustainable coffee chain look like? And which features does SD have that could be addressed by Löfbergs' CSR work? I will approach the term SD by focusing on the public good 'global sustainable climate', which can be seen as one aspect of SD, addressed by Löfbergs through their cooperation with ICP and partnership with GIZ and other stakeholders in the C&C project. This aspect of SD is only one piece of a much bigger puzzle. However, it might be that similar issues, problems and solutions also appear on the other dimensions of SD and on different levels in the international society. The complexity of public goods will be in focus in the chapters (3.3/3.4/3.5), where I shed light on the main actors involved in the C&C project and Löfbergs' coffee chain. Here, I am interested in their respective interests to contribute to the public good provision, their motivation to free-ride and their power to evoke change towards SD. Special focus is given to Löfbergs' interests in order to understand their willingness to share the burden of SD. I continue by analysing the way Löfbergs and the other coffee companies contribute to the establishment of a regime as a possible answer to the collective action problem. The last sub-chapter of the 'analysis and theory' chapter links back to SD and discusses how the partnership influences the governance structure.

Due to the available data as well as time and space restrictions I will mainly focus on ICP whereby I disregard the other stakeholders of the C&C project. Provided I had those resources, I could have interviewed further key stakeholders (such as GIZ and Brazilian organisations) as well as coffee farmers, which could have helped to draw a more complete picture of Löfbergs' CSR activities and its impacts. Due to the qualitative interviews that I am using as my data, I see knowledge production as constructed (Bryman 2012: 33). I am looking at the phrasing and wordings, whereby I interpret what they are saying. As the interviews were conducted via telephone and Skype I could not make use of body language, which could have further helped to explain the answers. While focusing on what has been said, it is also interesting to take care of what has not been said in the interviews. Things that were left out by the interviewees can be as important information as the things that were told.

3.1 Analytical framework - Global Commodity Chain analysis

In the literature different names for GCC analysis can be found: supply chain analysis, Global Value Chain (GCV) analysis and the French filière approach, which all refer to more or less the same processes. However, they differ on the level of analysis, for example national and international level or the focus (Francken 2006: 7). The GCV approach was developed by Porter (1987), who focuses on the interconnectedness of economic activities and describes each step within the chain as a value adding process. Some researchers argue that the GCC has been substituted by the GVC (Ponte 2004: 1). However, I will use the two concepts synonymously as other researchers have recommended (Francken 2006: 7) and as Gereffi is doing so himself (Gereffi & Fernandez-Stark 2011: 4).

Introduced by Gereffi in the mid 1990's GCC analysis has originally been designed to analyse global industries and trading systems and their increasing international integration (Gereffi 1994; Francken 2006: 4). Derived from dependency theory, the analysis lies within the framework of the political economy of development and underdevelopment (Gibbon 2001: 346). Thereby issues such as who controls trade, how is it controlled and what the consequences are for the producers in developing countries are addressed (Gereffi 1994: 95). The GCC analysis enables then explanations for why globalisation creates an environment that fails to address the poor and why some countries and enterprises do not succeed in certain sectors. This is done through an in-depth investigation of the different steps of the chain, which can be illustrated in boxes that represent different separable production processes. Those boxes are connected through networks, clustered around the chain comprised of households, states and enterprises (Francken 2006: 5). A limitation of Gereffi's GCC analysis is, that in reality, the relations between the different chain links are so complex, that only limited conclusions can be drawn (Raikes et al. 2000: 403).

Recently researchers have used the theory to study commodity chains regarding changes in the global economy (Ponte 2004; Ponte & Gibbon 2005: 1). Also Van der Grijp et al. state that "The approaches (…) have proven to be useful when explaining restructuring and transition processes in specific sectors of the economy" (Van der Grijp et al. 2005: 447). Exactly this ability will be used for the purpose of the thesis whereby I would like to investigate, if through the collaboration of Löfbergs with the other coffee companies (ICP) a change in the supply chain occurs, which transforms the chain from being conventional to more sustainable. This is at the same time, what the report of the WSSD demands from partnerships: "constructive partnership for change and for the achievement of the common goal of sustainable development" (WSSD 2002: 3).

Gereffi has developed four different dimensions of commodity chains: (1) the input-output structure, (2) geographical coverage, (3) an institutional and policy dimension in which the chain is embedded and (4) the form of governance structure (Gereffi 1994: 96 - 97; Gereffi 1995: 113). The first and the second dimension can be used to describe the organisation and configuration of the chain with a focus on the geographical shape and the actors involved (Francken 2006: 5), which is what I have described in a simplified way in an earlier chapter (2.3).

For the purpose of this analysis, the third and fourth dimension are more interesting because of their possibility to change (Francken 2006: 5). The institutional dimension points at policies, conditions and regulations on the local, national and international level and how they influence the shape of the chain (Gereffi 1995: 113). Generally, institutions can be defined as "formal or informal rules, regulations, norms, and understandings that constrain and enable behaviour" (Morgan et al. 2012: 3). For the development and growth of commodity chains economic conditions, such as the labour costs, the availability of infrastructure and access to finance but also social conditions, such as the availability of skilled labour and access to education, are of interest (Gereffi & Fernandez-Stark 2011: 11). Thereby the question of how control over market information and access is exercised is discussed. Gereffi also examines the possibility of subordinate participation in a chain to 'upgrade' their position in the hierarchy of the chain. He suggests that through participation small producers get indirect access to knowledge and technologies at a lower cost than they would normally do (Gereffi 1999 b: 39; Gibbon 2001: 347). However, because of time and space restrictions as well as the data available, the institutional dimension is only touched briefly upon in the analysis. My focus is on the governance structure as a possible dimension for evoking change in the coffee supply chain of Löfbergs. The concept of governance is introduced in the next sub-chapter.

3.1.1 The concept of governance

Gereffi defined governance as "authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain" (Gereffi 1994: 97). The concept of governance allows us thus to say something about how power is divided along the coffee chain, whereby the process of exercising control is central to the concept. According to Humphrey and Schmitz this process of exercising control consist of four parameters:

> *"1. What is to be produced* (…).
> *2. How is it to be produced* (…).
> *3. When is it to be produced.*
> *4. How much is to be produced"* (Humphrey & Schmitz 2001: 5).

They state that a fifth dimension - the price - could be added (Humphrey & Schmitz 2001: 5). Gereffi calls the actor who is in position to control these parameters the 'lead firm' (Gereffi 1999 a: 3). Understanding the governance structure and the control in a chain helps to define entry barriers for new firms as well as development opportunities (Gereffi 1999 a: 2).

Generally Gereffi distinguished commodity chains between 'producer-driven' and 'buyer-driven' chains. 'Producer-driven' chains are mainly found in sectors with a high amount of technological and capital requirements such as the automotive, aircraft and computer industry. In these sectors large-scale and high technology production facilities are necessary, which is what the producers, namely large, transnational manufacturers of the aforementioned industries have. They keep control over the production and the coordination of its networks. Subcontracting of components is common, however, it is mainly low-profit activities, which are outsourced, bound by contracts and specified by the 'lead firm'. Know-how as well as high investment facilities set the entry barriers (Gereffi 1994: 97; Gereffi 1999 a: 1). In 'buyer-driven' chains on the other hand, there are low entry barriers on the production level. Producers are typically subordinated to retailers, merchandisers and trading companies that control the production networks. They deliver often a finished product to the 'lead firms'. These chains are mostly found in labourintensive sectors and consumer-goods industries such as garments, footwear, consumer-electronics, toys, fresh fruits and vegetables (Gereffi 1999 a: 1; Raikes et al. 2000: 397). These industries share the characteristic that production is typically outsourced, often to developing countries. The key actors are occupied with design, marketing and branding of the products, which generate the most profits in the industry. At the same time those resources such as information costs, advertising and the design of the product set the entry barriers as 'lead firms' control the access (Gereffi 1999 a: 1 - 3; Ponte 2004: 2). The differentiation between producer- and buyer-driven commodity chains is in reality not as sharp and should rather be seen as a rough characterisation. There can be found industries, which can be placed in a grey zone: The computer industry for instance is dependent on capital-intensive production, which is a typical feature of a producer-driven chain. However, Gereffi has classified consumer electronics, which is a part of it, as an industry with the typical characteristics of a buyer-driven chain (Gereffi 1994: 97; Raikes et al. 2000: 397). Furthermore, Gereffi's separation in buyer- and producer-driven has been criticised for not considering the many different degrees and sorts of power that are possible along a chain (Raikes et al. 2000: 402).

The coffee chain possesses many of the characteristics of a buyer-driven chain, as has been mentioned in an earlier chapter (2.1): It is the big trading houses as well as the coffee roasters, which have the control over the production process. Löfbergs do not produce the coffee beans themselves; instead they buy them from developing countries' producers. However, they do not buy a finished product, since they still roast, grind and further process some of the coffee to instant products for example. Still, roasters are the ones that have the control over the production networks, which is why Ponte labels the coffee chain a "roaster-driven chain" (Ponte 2004: 3). Löfbergs can thus be seen as the 'lead firm' in its coffee chain, having control over the five dimensions identified by Humphrey and Schmitz. Besides roasting and milling, they are mainly occupied with the branding, design and the marketing of their different coffee products of their portfolio.

3.1.2 The concept of hegemony

Here I would also like to introduce the concept of hegemony, which can be seen as closely related to what Gereffi calls the 'lead firm'. The concept, which is often used to describe the dominant position of one country due to its resources that it possesses (Kindleberger 1981; McKeown 2001: 1), can be helpful when observing control, authority and power on national and international levels. In the following, parts of the concept will contribute to the understanding of Löfbergs' role in their coffee chain and I will investigate if changes might occur in the power structures due to the collaboration with ICP. I will only use fragments of the theory, while transferring it from the analysis of states' power to the power of corporations. Other researchers have used the concept in relation to corporate power, which has also been called corporate hegemony (Dugger 1987).

The concept has Greek origins but is often associated with the writings and thoughts of the Italian political theorist Antonio Gramsci (Gramsci 1971). Other important authors are Charles Kindleberger (Kindleberger 1981; 1986), a historical economist and IR theorist and Robert Keohane, who wrote the influential book 'After Hegemony' (1984). Gramsci has studied, inspired by Marxism, the ability of the capitalist class (dominant class) to persuade the working class (subordinate class) to join them and accept their ideas, moral values and so on under the leadership of the capitalist class. This was possible because the capitalist class could convince the working class that a big coalition would benefit everyone as they have the same interests (Gramsci 1971: 323 - 377; Joll 1977: 99). Gramsci continues that when concessions are granted, hegemony works and is accepted by the subordinate class:

> *"The fact of hegemony presupposes that account be taken of the interests and tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed – in other words, that the leading group should make sacrifices of an economic-corporate kind"* (Gramsci 1971: 161).

Strinati puts it like this:

> *"It can be argued that Gramsci's theory suggests that subordinated groups accept the ideas, values and leadership of the dominant group not because they are physically or mentally induced to do so, nor because they are ideologically indoctrinated, but because they have reason of their own"* (Strinati 1995: 166).

Hence, hegemonic power has to be won by the dominant class by convincing the subordinate class. This can be achieved by making them believe, that the collaboration in a big coalition serves their own interests.

Even though Löfbergs are not the world's largest coffee roaster and there are other global players such as Nestlé and Starbucks for instance, which might have far larger influence on the entire coffee sector, Löfbergs can be seen as the 'dominant' actor, or as named by Gereffi the 'lead firm' in their coffee chain. They are the ones that have the resources of information regarding the northern European market and its customers. The increasing interest in sustainable coffee from the customer's side for instance, can be seen as such market information and at the same time as an idea that they want to introduce on the producing level. This trend might be one of the reasons, why Löfbergs engage with projects on the farmer level (I will come back to a more detailed discussion of Löfbergs' interests in a later chapter: 3.5): Through the ICP projects, Löfbergs teach the farmers how to 'behave' in a sustainable way, so they learn to produce the coffee in the way Löfbergs need it. At this point it needs to be stated, that Löfbergs do not buy the coffee from the very same farmer with whom they conduct the projects (I will come back to that at a later chapter: 3.5.3). However, by helping the farmers to adapt to climate changes and to produce coffee in a sustainable way, they secure the coffee stock in general and with the long-term perspective.

Since Löfbergs, through the ICP projects enable the farmers also to get access to knowledge regarding quality and marketing, the farmers then hope to achieve better productivity and a membership in certification systems, which could lead to higher income. Those 'promises' can be seen as an effort to convince the farmers to participate in the big coalition of 'sustainability' and some kind of *compromise equilibrium* from Löfbergs' side. Consequently, Löfbergs can be seen as being in the position of coordinating the production process whereby they exercise control and power over *what is to be produced* and *how it is to be produced,* which could through their 'convincing process' be regarded as an exercise of 'hegemonial power'. One can assume that the other member coffee companies of ICP have a similar lead role in their coffee chain.

In summary, in order to approach the research question it is important to understand the leading role of Löfbergs. They control the producing networks and through exercising hegemonial power they convince the farmers to adapt sustainable growing mechanisms.

3.2 Towards a sustainable coffee chain

The sustainability challenges of the coffee chain in Brazil have been discussed in an earlier chapter (Chapter 2.1). In order to examine whether Löfbergs' CSR approach contributes to SD the next step in this thesis is to determine what a sustainable coffee chain looks like and throughout the 'analysis and theory' chapter I will investigate which functions the partnership can fulfil to make the chain more sustainable. Thereby a sustainable coffee chain is seen as the desired situation, the common good of that sector benefiting to all participating actors.

SD was defined as consisting of three components: the economic performance, an environmental and a social component. Exactly these three components correspond to the idea of the triple bottomline, which has been introduced by Elkington in 1998. He brought forward the approach within a performance measuring framework, where not only economic profits were considered but also the social and environmental impact of an enterprise (Carter & Rogers 2008: 364). This corresponds also to a definition of a sustainable chain Francken makes use of. While other factors such as transparency and values are playing a key role in a sustainable chain the economic profitability, which is considered in the centre of a conventional chain, is also extended by the environmental and social dimension:

> *"Sustainable value chains differ from traditional supply chains in terms of control, transparency, distribution of profit, and the very idea of value itself* (…) *Conventional supply chains limit the concept of value to economic profitability. Sustainable value chains expand the idea of value - to include economic, ecological, and social profitability"* (Ecotrust in Francken 2006: 6).

Van Huijstee et al. highlight that "Sustainable development entails the quest for equal access to, and for participation in and transparency of decision making" (van Huijstee et al. 2007: 86). Gladwin et al. add that SD should entail the concept of security, which demands safety from "biodiversity loss, climate change, freshwater scarcity, food insecurity, and population growth, persistent poverty, gender bias and explosion of megacities" (Gladwin et al. 1995: 878, 897).

When transferring SD to the coffee chain at a farmer level a definition found in an ICO paper seems appropriate:

> *"A sustainable producer shall meet long term environmental and social goals while being able to compete effectively with other market participants and achieve prices that cover his production costs and allow him to earn an acceptable business margin"* (Opitz 2003 in ICO 2013 a: 15).

It needs to be stated that sustainability is difficult to put into words due to its vagueness and elasticity (Van Huijstee el al. 2007: 85). There can be found many approaches to it so I had to limit myself and have decided to choose the previous statements due to their applicability to the coffee chain.

To sum up, I will consider the compatibility of economic, social and environmental dimensions, participation and transparency as central features of a sustainable coffee chain.

ICP's C&C project address the public bad of climate change; its reverse, a global sustainable climate can be seen as the *long term environmental goal*. Thus, a global sustainable climate can be seen as an aspect of SD, which has the characteristics of a public good. I will come back to a more detailed discussion of how global sustainable climate can be seen as a public good shortly. First, I would like to introduce the theory behind it.

3.3 Global sustainable climate as a public good

Mancur Olson, who first developed the Theory of Collective Action (1965), has focused on group behaviour in his early studies and defines a group as "a number of individuals with a common interest" (Olson 1965: 8). He distinguishes, among other things, between small and large groups; however without defining the amount of its members, which is why I will focus on the *common interest* as the integral feature of a group. Olson and Zeckhauser (1966) have further developed Olson's original approach, and studied international organisations with regard to collective action and public goods. The term 'public good' can be defined as services and goods that are available for every individual in a particular system as for example a national or an international society, whether or not he or she pays for it (Olson & Zeckhauser 1966: 267). A good example for a public good on a national level would be a street lamp (Betts 2003: 275). Olson and Zeckhauser describe the provided goods with one or both of the following characteristics: they are (1.) non-excludable, which means that everybody can make use of it, they are not restricted to the use of one person and everybody benefits from it, also the actors that have not contributed to it. They are also (2.) non-rival, meaning that several can consume the good/service without reducing the available amount for consumption (Olson & Zeckhauser 1966: 267; Thielemann 2006: 4). As in the example of the street lamp: The light produced can be used by everyone without depleting. Olson and Zeckhauser argue that collective goods are the outcome of governments and organisations in general (Olson & Zeckhauser 1966: 267).

Opposed to public goods, there are private goods, which are by definition excludable and rival. A cup of coffee is an example of a private good, as it will only be used by the person that bought it and once the coffee is drunk there is no more for others to consume.

The street lamp and the cup of coffee seem to be easy examples, which well exemplify the characteristics of public and private goods. However, it is not always possible to draw a clear line between them as there are several goods such as water for instance, that show that in reality grey zones exist. Some would argue that clean drinking water from a public source is a public good that is owned by the society as a whole, determined for the use of everybody. Others would define water as a tradable commodity, which thereby would turn it into a private good (Bakker 2003: 18). However, the matter of defining the 'publicness' of goods is not only based on unanimity; it rather also depends on political decisions.

Furthermore, there exist some goods that are not 'pure' public goods but possess characteristics of public as well as private goods. According to Nordhaus there are few 'pure' public goods, as most of the goods possess 'private' traits to some extent (Nordhaus 1999: 2). This is exactly what Sandler (1977) suggests in his so-called 'joint product model' that he has developed as an extension of Olson's theory. In his model Sandler describes that actors, who contribute to the public good will also benefit from some private, excludable good. Sandler states: "some public goods provide more than one type of benefit that can differ in terms of their non-rivalry and non-excludability" (Sandler 1997: 45).

On an international level, the provision of public goods is more complex. As Nelson argues, it is traditionally governments that are responsible for the provision of public goods on a national level. Internationally there is however no 'body' responsible to control its provision (Nelson 2008: 5). A global sustainable climate can be seen as such a global public good as it would benefit everybody regardless of his or her respective contribution. Where a global sustainable climate prevails, everyone can enjoy the fact, that there are no extreme weather events and threats to ones living conditions. The C&C project can be seen as the contribution to the public good by one sector: the coffee sector. In this sector, different actors have the same interest and are thereby forming after Olson's definition a 'group' (Olson 1965: 8). I will consider the actors within the C&C project as well as several stakeholders around Löfbergs' coffee chains as being in this 'group', all having the interests of a global sustainable climate. ICP and GIZ, as representatives of the C&C project, are in the focus but several partners of the C&C project such as the agricultural Bureaux CABI, the research Cooperation Embrapa, the involved NGOs, SIDA as well as the involved states would all benefit from a global sustainable climate. Since the project should have an effect on the sustainability of the coffee chain, I will shed light on the actors of Löfbergs' coffee chain in Brazil with a particular focus on the farmers. I will come back to the key actors interests in the next chapter (3.4).

The second optional characteristic of a public good is its non-rivalry: the climate enjoyed by one person cannot reduce the amount available for another. However, when considering the flipside of the coin, excessive use of the public good leads to negative externalities such as global warming which arises through the pollution of the atmosphere with greenhouse gases such as carbon dioxide (CO2). The agricultural sector is together with the forestry sector responsible for around 31% of all emission of greenhouse gases, mainly as a consequence of burning practices and the inappropriate use of fertilisers (GIZ 2011: 5). A warming planet eventually leads to climate change, which is what is happening today with a notable amount of people already feeling its impact such as heavy rain, floods, droughts and rising sea-levels (Harris 2007: 196/197). As with the public good, no one is excludable from the public bad either, however everybody would benefit from the combat of the public bad.

3.4 The collective action problem

A problem that lies in the nature of common goods is the collective action problem, also referred to as the 'tragedy of the commons' (Hardin 1968) or in connection with the problem of 'burden sharing' in the literature (see for instance Thielemann 2006). Since all actors benefit from the public good of a global sustainable climate, whether they contribute to it or not, there emerges a situation where each actor in the group wants to take advantage of the benefits of the good, while no actor is willing to share the burden of its production. Following, there arises the tragedy of overconsumption and underproduction. Olson and Zeckhauser put it like this:

> *"Since the benefits of any action an individual takes to provide a public or organizational good also go to others, individuals acting independently do not have an incentive to provide optimal amounts of such goods"* (Olson & Zeckhauser 1966: 267/268).

Consequently, all members of the group have an incentive to 'free-ride' and 'cheat' in terms of cost sharing of the production of the good. Olson argues that those members of a group, which have the best requirements, tend to contribute a larger share to the public good and other actors free-ride on them. "there is a systematic tendency for 'exploitation' of the great by the small!" (Olson 1965: 29). This shows that the contribution toward public goods is unequally distributed.

The collective action problem can also be seen at several levels within the coffee chain. In the following I will present the interest in the public good as well as the motivation to free-ride of key actors in Löfbergs' coffee chain. By analysing the different interests and motivations to free-ride, it helps in understanding the complexity of the provision of public good. Moreover I will take the power of change promotion of each stakeholder into consideration, in order to investigate where change needs to originate from.

<u>The individual farmer</u>

On a farmer level, it might well be that a single farmer has realised that his field and plants are in the long-term affected by droughts, pests and the like which can be ascribed to the effects of global warming. He might see himself confronted with crop failure and thereby sees his income and family at risk. Consequently, the individual farmer has a clear interest of fighting against global warming: save his crops, income and thereby contribute to the well being of his family and community. He might have learned about the negative impacts of using fertiliser. However, at the same time he might also have realised, that his individual action such as using an appropriate amount of fertiliser will not change the world but instead cost him more time, money and so on. In the words of Hardin: "The rational man finds that his share of the costs of the wastes he discharges into the commons is less than the cost of purifying his wastes before releasing them" (Hardin 1968: 1245). Following, the incentive for the individual farmer to share the burden can be considered small and he might rather continue the way he used to. However, if his local trader or cooperative were only demanding sustainable coffee beans, the farmer might be compelled to introduce sustainable production methods in order to be able to sell his product. At the same time he might also be able to gain better productivity and higher income once he is part of a certification system, which could be seen as incentives for him.

<u>All coffee farmers</u>

Moving up to the next level, all coffee farmers can be seen as in a group as opposed to other farmers and other groups within other industries. A similar argument as the one I have used for the individual farmer can be used here. Their interest in the common good is the same as on the individual level. Nevertheless, even if all coffee farmers supported a global sustainable climate by introducing sustainable growing mechanisms, the world will still suffer from the impacts of global climate change since other industries have much higher CO2 emissions. Consequently, the incentive of the entire coffee sector can also be considered small and they might hope that other actors will take action. At the farmer level one could see the pressure of international buyers as a reason to adapt sustainable standards.

Löfbergs and the member companies of ICP

Löfbergs as well could decide not to share the burden and instead let others deal with the problems occurring through global warming. Since they are a small firm compared to the big global players such as Nestlé and Sara Lee, for example, their impact on climate change can be questioned and thereby they could also represent an indifferent stance. However, as suggested by scholars such as Sandler (1997), there might be some private goods, which could influence Löfbergs' behaviour. I will shed light on what private goods might be in the next chapter (3.5). While the other coffee companies within ICP can be considered to have similar interest as Löfbergs, ICP might also follow its own interest such as a good reputation and a good outcome of the project since their executive consulting group EDE also conduct projects for other firms. Löfbergs, as the 'lead firm' in its coffee chain, can be seen as the key driver for change since they are the ones making decisions about where and under which conditions they source their coffee. At the same time they have through their advertising and the design of the products a certain influence on the market: "we're gaining ground through proactive marketing initiatives" (Appelquist (Löfbergs' CEO) in Löfbergs 2012/2013: 3). They have also realised that it is often the price, which makes the consumers not buy the sustainable product and they are simultaneously aware that they need to "become better at explaining the added value of certified coffee to consumers" (Appelquist in Löfbergs 2012/2013: 4).

Retailer/restaurants

As far as retailers and restaurants are concerned, they have the power to decide, which products they want to offer to their customers. Assuming that they are aware of unfair trading conditions and environmental problems in producing processes they could share the burden and decide to only offer sustainable products and thereby contribute to the public good. However, this does not appear to be the case since they may want to give the customers the possibility to make the decision themselves. At the same time they also respond to customer demands. Retailers have an influence on the customers shopping behaviour though marketing mechanisms such as shelf positioning of the products for instance. On the other hand they themselves see which products Löfbergs offer and might be influenced by that. Consequently, the farmers, traders, retailers, restaurants and roaster appear as interdependent. Moreover, retailers could also consider other issues, such as their own greenhouse emissions, packaging and logistics as having a greater effect on sustainability and thus could start to do something 'good' from another angle.

Consumer

Sustainable coffee, such as Fairtrade and Organic, which can be found in Löfbergs' assortment, are widely recognised as being the better solution, trying to address the unfair distribution of profits through better trading conditions and several environmental issues (Castaldo et al. 2009: 4). A customer could make the decision to support those ideas by buying sustainable coffee, thus sharing the burden and thereby contribute to SD within the coffee chain. However, despite the fact that today's consumers show more interest in the origin of their product and at the same time are better informed and educated as regards to human rights violations and environmental issues, their behaviour does not always correspond to their conviction. "There is no guarantee that consumers will always and consistently choose good companies when purchasing products" (Castaldo et al. 2009: 1). Because once the customer is standing in the supermarket, there are other factors such as price for example influencing the behaviour of customer and they might instead buy the cheaper conventional coffee, which can be seen as a "gap between awareness and action" (Muradian & Pelupessy 2005: 2034).

Adding to the different factors that influence the decision making in the supermarket, when being aware of the collective action problem and the fact that the action of a single individual does not have a great effect on SD, a consumer could also easily not care. Consequently, every customer is free to choose which coffee he wants to buy and he appears independent from pressure and expectations from subsequent chain actors. Due to their strong influence on the previous chain actors it could be interesting to study the ethical shopping behaviour of customers. Since they may be unlikely to admit that they buy the cheaper, conventional product, interviews with retailers could have been an option. However, the time restriction did not allow me to travel to Sweden and collect further data on the Swedish shopping behaviour.

When customers appear as a group, they can be considered to have an influence on the coffee offer to some extent. The boycott of products, often supported by NGOs, is one possibility of consumer activism, which has in the past lead to rethinking from the company's side (Blitzer et al. 2008: 274).

GIZ – German government

The interests of GIZ can be seen within the framework of the German 'Development partnerships with the private sector' developpp.de, which is a part of the BMZ and has the aim to "foster the involvement of the private sector at the point where business opportunities and development policy initiatives intersect" (BMZ 2013). Thereby they represent interests of the German government, which are connected to the national SD strategy. At the same time Germany is affected by international institutions that it is part of, such as the UN, EU and their respective approaches such as the European Sustainable Development Strategy (The Federal Government 2012: 15). Since ICP are situated in Germany and two of its members are German, the interest of GIZ is to support those companies and their sustainability approaches and thereby further the interest of the German government. By supporting sustainable projects, the German government has the power to push other actors in that direction. Furthermore, through market incentives and increased transparency governments can enable responsible business behaviour (Simeonov 2013: 6). At a state level Germany say that they are aware of their obligation to contribute to the common good of a global sustainable climate:

> *"It lies within our grasp to take the necessary action today so that in the year 2050 and thereafter our world will be one in which economic prosperity for all goes hand in hand with social cohesion and the preservation of vital natural resources"* (The Federal Government 2012: 17).

However, the collective action problem also appears on the state level and they might also have their own reasons and motivation factors such as prestige, friendship and respect for instance to participate in the burden sharing. Previous climate debates have shown, that some states are not willing to share the burden of climate change and instead free-ride on the contribution of others (Harris 2007: 197, 203).

SIDA – Swedish government

The Swedish development agency SIDA can be considered to have similar interest as GIZ. Since its contribution is more a monetary one, I will not go further in depth with their specific interests. However, one interesting fact should be added: Sweden is exemplary when it comes to the implementation of the OECD Guidelines for Multinational Enterprises and the 10 principles of the UNGC. Companies that are members of Globalt Ansvar need to report on the implementation of the respective principles, whereby the government takes an active role in pushing enterprises to share the burden of SD (Riess &Welzel 2006: 21).

<u>Brazilian government</u>

Since the Brazilian state is the largest producer and exporter of coffee and its exports in general rely heavily on agricultural products (Trading Economics 2013) it might have an interest in a global sustainable climate in order to maintain their current position. They also seem aware of the challenges that occur through global warming and therefore also contribute through their financial support to the Agricultural Research Agency Embrapa to the C&C project. Generally, it can be seen that the environment, especially the biodiversity in the Amazonas has suffered significantly under the government's goal of economic growth (UNDP 2012: 30). However, in preparation for the UN conference on SD, also referred to as Rio 20+, as it took place in Rio de Janeiro, Brazilian President Dilma Rousseff declared the countries future focus on sustainable issues:

> *"We want the word 'development' always associated with the term 'sustainable'* (…). *We believe that it is possible to grow and to include, to protect and to conserve"* (Dilma Rousseff in UNDP 2012: 13).

This shows that the government is willing to take on their responsibility - at least this is what they express. At the same time however, they do not provide the farmers with the knowledge necessary to adapt to climate change and instead let other actors take this role. The Brazilian government has the power to promote sustainable growing procedures through the creation of a favourable framework. Subsidies or educational campaigns would be an example of how they could support the farmers.

From this chapter it becomes obvious, that it is the leading firm in a chain, which has the main power to promote change within the supply chain. Löfbergs are the ones that have influence on the way they source their coffee, whereby their product expectation is forwarded to the previous chain actors. Thereby the different chain actors appear as interlinked, each of them having a certain degree of power to forward their expectations to the previous chain member. While the farmers do not have any influence on the subsequent chain actors, Löfbergs further influence their customers through marketing for instance. The consumers themselves appear to have a saying through the choice they take in the supermarket. Governments also play an important role, especially in the creation of frameworks that enable companies to take on their responsibility. At this point, the limitations of Gereffi's separation in buyer- and producer-driven, where he neglects the different levels of power among the actors, become visible. Due to Löfbergs' important role to promote change I will focus on their private interest in the next chapter.

3.5 The exclusive character of a global sustainable climate

In the following I would like to go into depth with regard to the public good 'global sustainable climate' and thereby investigate on the private interests, or as Olson calls it, "separate incentives" (Olson 1965: 2) Löfbergs could pursue when participating in ICP and in the C&C project. In their annual report Löfbergs state:

> *"We are convinced that it is beneficial for us to work towards sustainable development. We are simultaneously contributing to good use of the earth's resources and a well-functioning world for future generations"* (Löfbergs 2011/2012: 8).

This statement can be seen as a hint, that it is not only 'pure' public good the company is aiming for. Opitz also talked about interests: "This [the situation of crisis] was triggering certain interests among roasting companies" (Opitz Skype Interview 2013: 08:10 - 08:15). This is also what Sandler (1977) suggests: besides providing a public good, in Löfbergs' case, the public good of a global sustainable climate, there will be private, excludable goods actors are hoping to achieve. Löfbergs are aware, that there might be additional benefits or 'private goods', which they however do not clearly state, neither in the annual report, nor in the interview. Therefore, I can only speculate and interpret the statements that were voiced during the interviews, what private goods that might be. I will focus on 'reputation, social capital and social values', 'risk management' and 'the connection between ICP projects and Löfbergs' products – the link to CSR'.

3.5.1 Reputation, social capital and values

According to Robert Keohane, there is a possibility for self-interested, rational individuals to contribute to a public good: if they are concerned about their reputation (Keohane 1984: 105). Keohane puts it like this: "Having a good reputation is valuable even to the egoist whose role in collective activity is so small that she would bear few of the cost of her own malefactions" (Keohane 1984: 105). Following, it can be argued, that a good reputation could also be an incentive for Löfbergs to share the burden of a global sustainable climate.

Looking at the flipside of a good reputation, behaving unethically might in some situations lead to short-term profits and thereby create incentives to do so, for several actors within Löfbergs' coffee chain. For instance, a farmer might use an extensive amount of fertiliser in order to save his crops, which had been infested with pests. While 'cheating', and free-riding on the provision of public goods provided by others, this might lead to a short-time income for the farmer. For Löfbergs however, if unethical behaviour in their sourcing became public, it would negatively affect their reputation and have further consequences on their business since other actors would not want to do business with Löfbergs anymore. The worst-case scenario would be bankruptcy.

Therefore it is in Löfbergs' interest, that all the actors in the chain behave decently so they can build up credibility and 'social capital' among their stakeholders. Appelquist, the CEO of Löfbergs, formulates it like this: "We are a part of society and dependent on other players and contexts all around us. Thus, it is our responsibility to act decently in all of our contacts" (Appelquist in Löfbergs 2012/2013: 4). The notion of social capital was developed by Bourdieu, who defined the concept as:

> *"(…) the aggregate of the actual or potential resources which are linked to possessions of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital, a 'credential' which entitles them to credit, in the various senses of the word"* (Bourdieu 1986: 248).

Hence, social capital is not only the attribute of an individual; it is also connected with group membership and participation, which can deliberately improve the social position of an actor. The fact that Löfbergs are a family business already let one associate the company with the attributes of a family such as trust and responsibility. Furthermore, when demonstrating ethical and sustainable practices along the chain, Löfbergs build up social capital, which has an influence on how they are seen by others, thus, their reputation. Through stable relationships reputation is created and is thus the most effective way to maintain and build up trust (Bourdieu 1984 in Häuberer 2010: 38). The members in a group are then giving safety and status credit to each other (Häuberer 2010: 38). The members of ICP can also be seen as being part of *the network of connections* of Löfbergs. By further partnering with NGOs and government agencies such as GIZ and SIDA, the companies enlarge their credibility vis-a-vis the public. Those organisations also have a reputation to lose if they supported unethical projects. By cooperating with ICP they send however the message that they do trust in their work which simultaneously reflects positively on ICP and its members (Bendell 1998: 4). Accordingly, it further has a positive impact on the Löfbergs brand and the products that Löfbergs sell since the constructed social capital is also connected to the product. Appelquist argues that Löfbergs' coffee was chosen by restaurants such as McDonalds because of "our [their] work to take responsibility for people and the environment in a credible way" (Appelquist in Löfbergs 2012/2013: 4). Following, the network spans further and other companies such as McDonalds in Sweden taking use of Löfbergs' social capital.

Throughout the interviews with Kathrine Löfberg and Michael Opitz, the term 'values' was mentioned quite often in order to express the special feature of the ICP members and to distinguish them from huge corporations. From a business perspective, values are seen as ideas and beliefs that shape the culture and define the character of a company. Values guide how they behave and how to make decisions (Corporate excellence 2011: 3). In their sustainability report Löfbergs highlight that their sustainability work is "governed by [their] values" (Löfbergs 2012/2013: 13) which they formulate as "responsibility, engagement, entrepreneurship, a long-term view and professionalism" (Löfbergs 2012/2013: 22). As discussed in a previous chapter (3.2), values are also central to SD. According to Kathrine Löfberg it is their values that motivate Löfbergs to engage in ICP and the development projects:

> *"I think it comes very much from the values in our company. We have a very long history, the company was founded in 1906; it was actually my grand grandfather who founded it. We have always been concerned about the environment and the people"* (Löfberg Phone Interview 2013: 23:05 – 23:43).

In their annual report they state further that back in 1906 they were "supporting poor people in the community and contributing towards the development of our [their] town and region" (Löfbergs 2011/2012: 7), while denoting 'responsibility' as "Löfbergs' heritage" (Löfbergs 2012/2013: 11). Opitz as well describes the collaboration between the coffee companies as based on traditions and values as well as a common big interest in the sector:

> *"So there is a very strong commitment, a very strong tradition and interest in the sector and also a very strong value proposition which brings them very close together"* (Opitz Skype Interview 2013: 9:59 - 10:10).

Out of their strong values, it could be that Löfbergs engage with the farmers, because they think that it is the right, appropriate thing to do, pointing to an ethical understanding of their role in the society (Garriga & Melé 2004: 53). The family business has always done 'good' and while building up social capital, those values have been transported to the present day. They have also sourced certified coffee since 1995 and back then it was, according to Lars Appelquist "Anders Löfberg who placed the order – not because there was a demand but because it felt right and proper" (Appelquist in Löfbergs 2011/2012: 3). March and Olsen define this *right and proper,* 'appropriate thing to do' as the Logic of Appropriateness which is defined as:

> *"(…) a perspective that sees human action as driven by rules of appropriate or exemplary behaviour, organised into institutions. Rules are followed because they are seen as natural, rightful, expected, and legitimate. Actors seek to fulfil the obligations encapsulated in a role, an identity, a membership in a political community or group, and the ethos, practices and expectations of its institutions"* (March & Olsen 2009: 2).

Consequently, one could further argue, that in order to *fulfil the obligation* they decided to found ICP together with other coffee companies in 2001, that might, due to their values, have felt the same obligations since they are also privately owned businesses. This characteristic, being privately owned, means for the companies, that they do not have any shareholders, which frees them from the pressure of performing short time profits to satisfy their stockowners. This further means that they adapt a long-term perspective: "We never compromise on our standards of quality and taste in order to make more money short term" (Löfbergs 2013 b).

However, on the other hand, values can also express how a company would like to be perceived by the public (Fombrun 1996: 9). Hence, Löfbergs' engagement with a global sustainable climate in the coffee chain can be seen as 'living their values' and thereby reinforcing their reputation. Some scholars agree, that the true motivation of companies to engage in public goods is not always obvious:

> *"It is not clear what the objectives of* (…) *companies are, if they are truly interested in helping the small farmers in the long term or only want to improve their public image"* (Pérezgrovas & Cervantes 2002: 22).

The fact that Kathrine Löfberg highlights that their company has only done 'good' since the very beginning of their business and thereby denying any mistakes could cast doubt on their general credibility regarding their 'goodness'.

Connected to the notion of reputation there are also several interlinked benefits that Löfbergs could gain through their engagement in ICP. As mentioned (chapter 2.6) those could be of monetary nature or indirect connected to money such as advantages in recruiting and employee and customer loyalty.

3.5.2 Risk management

A second private good, which Löfbergs could aim at, is the management of the risks that they might face. There are also other scholars that found, that companies are engaging in sustainability in order to reduce their own risks:

> *"They* [companies] *are integrating supply chain sustainability policies and programs to reduce company risks, lower costs, ensure product quality, and improve business performance"* (Dauvergne & Lister 2012: 40).

Wirth regard to reputation, there is also the risk of losing one's reputation. Löfbergs have recognised the pressure from society towards SD: "The interest in sustainability issues is growing. This means increasingly tough demands on us and other companies" (Löfbergs 2011/2012: 8). Thus, Löfbergs know that they need to engage in these issues; else they might lose their reputation and possibly their market share. A researcher in the field has also argued, that Fairtrade is used by companies as, when not having it on the portfolio would damage the reputation of a company: "They are vulnerable to being stigmatised in the eyes of the public as proponents of unfair trade structures, exploiting small farmers in the developing world" (Ackermann 2001: 14). This might be a reason for why Löfbergs do not make better marketing for their certified products. As mentioned earlier Löfbergs' CEO has recognised that they should become better in explaining the price difference between conventional and certified coffee. If they promote their certified coffee too much however, customers might presume the conventional coffee to be unethical.

Furthermore, Löfbergs are aware that they are confronted with the negative impacts of climate change and with a possible risk of facing supply difficulties: "There is a risk that we cannot get the quality coffee that we need" (Löfbergs Phone Interview 2013: 19:19 – 19:24). In their sustainability report they mention further, that they are in general afraid of changes in the coffee supply since farmers are, due to the low prices for green coffee beans, looking for other occupations (Löfbergs 2012/2013: 3). On the one hand Löfbergs can be flexible in order to get the ingredients for their blends but on the other hand they are to some extent dependent on getting the specific coffee in the quality needed for their specialty coffee. With Löfbergs' aim of having 100% certified coffee by 2016 (Löfbergs 2011/2012: 3) they will be even more dependent on getting this coffee. Consequently, the company also has an incentive to ensure the farmers are able to produce this kind of coffee and be able to receive certification on the product. This means, that Löfbergs are, through the projects conducted by ICP, also following their own interest of securing supply and quality.

However, as mentioned, they do not buy the coffee from the very same farmer with whom they conduct the projects. Instead they want through the ICP projects support farmers from the coffee producing countries in general:

> *"We need to assess where the contribution of International Coffee Partners can make the largest contribution for the sector. This is why the companies have decided to use these funds strategically by going to the regions that are important for the coffee sector at large. This is why they operate in Brazil, this is why they operate in Central America* (…)*"* (Opitz Skype Interview 2013: 27:45 - 28:18).

Nevertheless, it can be argued that even if it is not their own sustainable coffee supply they secure, they ensure the coffee stock in general and the availability of specialty coffee: The C&C project contributes to the securing of supply as the farmers are getting taught to adapt to climate change and thereby the coffee harvest can be maintained. Also the project by ICP in Minas Gerais has led to increased productivity (ICP 2013 d). Constant availability means constant coffee prices for Löfbergs; increased availability even means cheaper prices for Löfbergs. Bitzer also found, though formulating it more harshly, that

> *"Partnerships with* (…) *development actors are among the most common means to exploit these market opportunities* [the markets opportunities of high quality coffee and ethical products] *and secure supply, while demonstrating ethical business behaviour"* (Bitzer 2012: 15).

Due to the current situation of overproduction (ICO 2013 c: 22), it can be said though, that the risk of *not finding the right coffee* can be considered small but since Löfbergs are a family owned business they probably involve their descendants in their future planning and thereby have an extra incentive. This is also what Opitz highlights when saying that Löfbergs "look in the future, (…) is coffee again" (Opitz Skype Interview 2013: 9:45 - 9:50). Appelquist also highlights this future perspective in the sustainability report:

> *"It's* [the investment in sustainability] *also about creating the conditions for us to be a coffee player in the long term and for the industry to survive; so there is still coffee available to consume in the future"* (Appelquist in Löfbergs 2012/2013: 3).

A factor that lets me assume, that *the risk of not finding the right coffee* is persistent, is the fact, that several coffee companies are engaging in similar projects as ICP, where they address climate change and inappropriate farming methods with environmental education and capacity building (Bitzer et al. 2013).

3.5.3 The connection between ICP projects and Löfbergs' products – the link to CSR

A further private good that Löfbergs might be interested in are marketing issues related to their CSR work. As seen in the discussions about CSR, it has often been highlighted, that enterprises should, in order to *fully meet their social responsibility* have a CSR strategy in place that is integrated in the core business of a firm (European Commission 2013 a).

The C&C project might indirectly affect several stages of the coffee chain. However, the projects are mainly aimed at the farmer level. Since this is where Löfbergs source their coffee, their CSR strategy can be considered as integrated within the core business. In order to close the circle one would then expect Löfbergs to buy the coffee from those farmers, with whom they have conducted the projects. Firstly, this would make sense in terms of linking their CSR activities to their core business and secondly it also seems like a good marketing possibility. However, Löfbergs do not buy the coffee from the very same farmers:

> *"Even if we do not buy the coffee directly from those projects; it is not that they have to sell it to us. Because then you kind of let them in and we could take advantage of it. We can buy the coffee if we do it in competition with others. And if it is the coffee we need for our products. But they do not have to sell it to us. They should sell it to the ones that pay the most"* (Löfberg Phone Interview 2013: 24:45-25:17).

Kathrine Löfberg argues that this is because they want the farmers to sell the coffee on the market with the best possible price for it and thereby avoiding exploitation of the farmers. These findings confirm previous studies where Bitzer et al. also found in another partnership study in the coffee sector that representatives of partnerships argued that they do not want to buy the coffee from the farmers where they conducted projects in order to avoid dependency (Bitzer et al 2008: 277). This is also what Opitz mentions indirectly as a reason, when he was asked why there is no direct link between the project and the products:

> *"*[ICP's idea is:] (…) *supporting* [to support] *the farmers to become an entrepreneur. And to give the farmer an opportunity to take well-informed decisions for*

himself. And this [does] *not necessarily mean that the coffee that the farmer produces end up in the pockets of Löfbergs. It ends up on the market place. Ideally in the best conditions the farmer can get"* (Opitz Skype Interview 2013: 15:50 - 16:16:).

Consequently, ICP argue that they want the farmers to be independent and using the skills they have learnt, thereby gaining the best possible price on the market. This argument can be understood ambiguously. On the one hand, they could truly believe that they empowered the farmers and Löfbergs truly only want the best for the farmer, not taking advantage of a perfect marketing opportunity. On the other hand, it could also hint to a peripherally related CSR program, where Löfbergs' contribution is limited to a monetary one but where they still can enjoy the gained reputation. Their CSR method would thus be used as an instrument to generate profit, which is what Garriga & Melé have called an instrumental approach (Garriga & Melé 2004:52). Reasons why they do not buy the coffee could be that it is not the coffee they need for their products as Löfberg says or else the coffee might be too expensive.

As far as the connectivity of the product and the project is concerned, one could also argue, that Löfbergs buy certified coffee, which is what ICP aim to reach with the projects: that the farmers can, through the knowledge they have gained in the projects, increase the quality of their coffee, reach a better market price, maybe even get accepted at certifying systems. However, Löfbergs do not source (yet) 100% from certified farms, symbolising that the circle of their sustainable supply chain does not close and thereby it can be questioned if Löfbergs' CSR efforts through ICP can be considered 'core business'. The fact that Löfbergs do not only sell certified coffee has of course also to do with customer demand, which according to Löfberg is growing but they notice as well, that not everyone is willing to pay the extra price (Löfberg Phone Interview 2013: 13:52 – 14:00; 11:35 – 11:42).

To sum up on this chapter, it could be seen that there are strong incentives that Löfbergs could pursue when investing in the public good of a global sustainable climate. Reputation is important for a company's success (Fombrun 1996: 1) and is therefore in Löfbergs' interest. Due to the fact that Löfbergs are a private owned family business it also makes sense that the company has a long-term approach and an interest in retention so that the future generations can continue the business. As far as the connectivity of the product and the CSR approach is concerned, it seems that Löfbergs do not place special emphasis on marketing advantages, which could be interpreted in two opposing ways: either it is the values that are driving the company to do something good, pointing to a more ethical CSR approach, or else their CSR method can be seen as peripheral and 'instrumental'.

3.6 The establishment of regimes as an answer to collective action problems

In the last chapter I analysed the private interests that Löfbergs might pursue when contributing to the provision of the public good of a global sustainable climate. The problem of collective action however is not solved. In this chapter I will look at how ICP contribute to the establishment of a regime as a possible answer to the collective action problem.

Olson argues that with the absence of coercion or other enforcing instruments individuals in a group would not contribute to a common good even though they all would like to obtain it:

> *"(…) unless the number of individuals in a group is quite small, or unless there is a coercion or some other special device to make individuals act in their common interest, rational, self-interest individuals will not act to achieve their common or group interest"* (Olson 1965: 2).

This 'tragedy of the commons' and the free-rider problem have led to the establishment of regimes as one possibility to address these problems. According to Stephan Krasner, an IR theorist, regimes are "sets of implicit or explicit principals, norms, rules and decision-making procedures around which actors expectations converge in a given area of international relations" (Krasner 1983: 2) [7]. Keohane and Nye agree when defining regimes as "sets of governing arrangements that affect relationships of interdependence" (Keohane & Nye 1977: 19) and include "networks of rules, norms, and procedures that regularize behavior and control its effects" (Keohane & Nye 1977 in Krasner 1983: 2). Following, regimes through the norms, rules and so on can be seen as an enforcing instrument or *special device*, as suggested by Oslon, to achieve the commons.

Within the climate change dilemma, several regime-like organisations, both in the form of binding and non-binding rules and norms have been established. Just to mention some, the Mediterranean Action Plan for the reduction of pollution in the Mediterranean Sea has

[7] Krasner continues and defines principals, norms, rules and decision-making procedures: „Principals are beliefs of facts, causation and rectitude. Norms are standards of behavior defined in terms of rights and obligations. Rules are specific prescription or proscription of actions. Decision-making procedures are prevailing practices for making and implementing collective choice" (Krasner 1983: 2).

been considered as a successful international environmental cooperation (Harris 2007: 201). The Kyoto protocol is an example for a binding obligation between industrialised countries to reduce their greenhouse gases. However, not all industrialised countries, especially not the United States, are members of this climate regime (Harris 2007: 197).

Similarly, regime-like arrangements can be found in Löfbergs' coffee chain. As mentioned earlier, Löfbergs have through their sustainability policy and their code of conduct, which has been signed by all their suppliers, set their own rules. These can be seen as a form of self-governance, since there is no third party involved to control its actual enforcement. They also participate in the Haga Initiative, a reporting platform for firms in Sweden to disclose their greenhouse emission footprints (HagaInitiative 2013). The membership in Globalt Ansvar compels Löfbergs to report on their efforts towards integrating the principles of the OECD Guidelines for Multinational Enterprises and the 10 principles of the UNGC (Riess &Welzel 2006: 21). Furthermore they are a member of the 4C Association, which also has a code of conduct – the 4C code of conduct, which is defined as a "baseline standard for sustainability in the coffee sector" (4C Association 2013 a; 2013 b).

The membership in ICP can furthermore be seen as a collective action effort towards a regime to regulate the provision of common goods within the coffee chain. The other ICP coffee companies are also member of the 4C Association, which shows that all ICP members accept the same norms (Krasner 1983: 2). Moreover, all members of ICP offer sustainable coffee certified by Fairtrade and Organic. However, this was not a precondition for the membership in ICP but can be seen as the establishment of ties to one another, which can help to promote similar ideas in the entire sector. Bitzer argues that through these overlapping structures the capacity of individual partnerships is reinforced:

> *"The linkages channel the transfer of information (e.g. on agricultural production or farmer training), financial resources and services (e.g. provision of training to farmers), which reinforce the capacity of individual partnerships"* (Bitzer 2012: 24).

It must be stated that there are no common rules or norms the members of ICP have agreed upon (Löfberg Phone Interview 2013: 49:30 – 49:39). However, as mentioned by Opitz, they share the same strong values, which guide their behaviour and decision making processes and thereby tie the member companies together (Opitz Skype Interview 2013: 9:59 - 10:10).

The concept of hegemony is also closely related to the public good provision since it has been suggested as a way of solving or at least easing the free-riding problem (McKeown 2001: 4). It has been argued that if a member was so large, compared to the system as a whole, that its private benefits, which it would receive by providing the public good, represents a considerable proportion of the total social benefit, than it would be willing to bear the costs for its provision. For this actor there is a direct link between the production and the consumption of the public good and the actor will continue to provide the good as long as it gets a net private benefit. Additionally, it might also convince others to contribute to the public good through threats and promises (McKeown 2001: 4). This argument is often referred to as the 'hegemonic stability theory' (Keohane 1984: 214; McKeown 2001: 4). Olson has a similar approach, when he talks about 'privileged' groups that have such a huge interest in the good, that they are willing to bear the total costs (Olson 1965: 50). Through the unilateral action of one actor the provision of the collective good is not as large as when every group member would contribute to it, however, it ensures that the good is provided at least. (McKeown 2001: 4).

Löfbergs cannot be considered huge enough to provide the public good through unilateral action. However, through partnering with the other coffee partners they build a group that has the same interests, which they express through their common values, membership in the same initiatives and compliance with the same norms. This represents an effort towards a regime. They then try to implement their ideas within the system – the coffee chain. Thereby ICP can be seen as the 'hegemon' or a kind of "cooperative hegemony" (Pedersen 2002) which is the 'regime entrepreneur' getting the regime in place. Since all the ICP members mention the ICP projects on their homepages in the category of CSR or sustainability, it can be argued, that they have similar private good reasons as Löfbergs to invest in the public good. However, no statements can be made as regards to their respective sourcing behaviour. Consequently, hegemony further promotes the establishment and maintenance of regimes since ICP will continue to contribute to the public good of global sustainable climate as long as they get a net benefit (McKeown 2001: 4). This also how Keohane describes the hegemonic stability theory, though with a focus on states: "the concentration of power in one dominant state facilitates the development of strong regimes" (Keohane 1982: 326).

It can also be seen that within the C&C project, ICP have the intention to further include other stakeholders and thereby enlarge the regime and its impact. This is also the case with other ICP projects. Since ICP's projects are small interventions and often limited to short periods of three years they could subsequently become bigger projects through the involvement of big corporations such as Nestlé for example: "It is part of a continuum of a process, that also elements of ICP might end up in a Nestlé operation over time. And this is how it might then reach to other areas" (Opitz Skype Interview 2013: 31:29 - 31:45).

Another important feature of the hegemon is, that the hegemon itself needs to promote its own values and strategies as common ones in order to be a good role model. This is what Gramsci express when he states "every relationship of 'hegemony' is necessarily a pedagogical relationship" (Gramsci 1971: 350). A hegemon can thus not free-ride and appear as selfish, it rather needs to show that it is concerned about the common good (Møller 2005: 8). Due to the fact that Löfbergs are one of the largest importers of Organic and Fairtrade coffee in Europe and simultaneously communicate clearly to the public that they intend to only offer certified coffee in their portfolio within the next two years (Löfbergs 2013 d) it can be seen that they take on their pedagogical role and set an example. In cooperation with ICP they then install these sustainable values on the farmers. However, since they do not commit to long-term contracts with the coffee farmers, with whom the ICP projects are conducted, they could also be blamed for pretending to be concerned about the public good and only living their values until a certain point and not further, namely as long as they get a net benefit. Löfbergs' large engagement in different climate projects, such as the Haga Initiative for example, can further be assessed as demonstrating their conviction. Through this initiative they also have the contact and exchange with companies from other branches, which might let them further spread their ideas and establish their social capital.

Summing up, the establishment of a regime can be seen as a solution to the problem of collective action. ICP and its member companies have such a strong interest in the public good of a global sustainable climate that they will invest in it as long as they can pursue a private good. Through the additional initiatives the companies engage in, they enlarge the regime and thereby spread their ideas. This insight is important as regards to my research question as it shows that the companies have the power to initiate something out of their strong interests that contributes to the public good provision.

There is one possible dilemma that might arise out of the 'ICP construct': the notion of cartels. The six coffee companies - the members of ICP - working together in order to *enhance smallholders' opportunities* (ICP 2013 b) through their efforts to implement sustainable growing mechanisms on the farmer level can raise the issue of cartels. As mentioned earlier, the companies came together through their business relationships (Opitz Skype Interview 2013: 6:30 - 6:47), which let me assume, that there is also some business interest in their cooperation even though they claim that their initiative is "precompetitive" (C&C 2013 a: 1). Since not all coffee companies source coffee excludable in a sustainable way and Löfbergs themselves also only source a part from their green coffee beans sustainably, there might be a link between the sourcing of sustainable coffee and its price. Furthermore, the production process, whilst taking the public good into account, is often connected with a higher price, which is then also passed on to the customer. Especially in times of economic crises, customers might hesitate to buy more expensive coffee and the general demand of sustainable coffee might decrease. This is also what Appelquist, Löfbergs' CEO, has realised: "purchasing patterns are changing slowly and are governed largely by price" (Appelquist in Löfbergs 2012/2013: 3). Following, the companies might have an interest in price fixing of sustainable coffee or other arrangements with each other regarding sales volume, customers, territories or the like in order to avoid competition between them. Since the act of doing so is prohibited in most countries, which is often formulated in antitrust legislations, this can be seen as a possible dilemma. The members of ICP might thus be confronted with possible contradictions with their own countries legislations, the ones from the EU or the ones from the World Trade Organization. The EU for instance has formulated "rules applicable to antitrust enforcement" where it is clearly stated that to "directly or indirectly fix purchase or selling prices or any other trading" (European Commission 2013 c: Article 101) is prohibited. That could be a further reason why Löfbergs do not buy the coffee that originates from the projects, because they might want to avoid being associated with these issues.

This notion should demonstrate that political and legal dimensions are involved in the broader context of business cooperation. However, I do not have the resources to go more into depth with these issues, as the purpose of this thesis is to investigate on the CSR strategy of Löfbergs and its effect on SD.

3.7 The influence of the partnership on the governance of the coffee chain

In this chapter I would like to focus on different sustainability aspects, which the partnership can influence. I will look at the ‘empowerment of the farmers’, their ‘participation in the partnership’ and the ‘transparency in Löfbergs’ coffee chain’.

3.7.1 Empowerment of the farmers

Through their projects ICP implement sustainable values on the farmer level. They claim to improve the skills of the farmers as well as the farm management and their competitiveness. In Minas Gerais a farmer could, through technical guidance, learn to perform leaf and soil analysis, which would enable him to use fertiliser in an appropriate manner. As a consequence, quality and productivity of his crop increased. At the same time ICP support the setup of producer associations, where farmers are equipped with knowledge about the quality of their coffee beans (ICP 2013 d).

Another core idea of the ICP projects is to combine this with the possibility of becoming member of a certification system. Hence, they align their project with the demand on the market. It can be seen, that through the projects ICP give the farmers access to knowledge and information, which they would else not have had. This is what Gereffi has defined as an essential precondition for upgrading in a chain (Gereffi 1999 b: 39). According to Bitzer this ‘educative’ function of the partnership fulfils a gap that normally would have been the responsibility of the government (Bitzer 2012: 23). Hence, ICP within the C&C project fulfil responsibilities of the government.

The partnership intends to empower farmers to *become an entrepreneur* and *to take well-informed decisions for himself* (Opitz Skype Interview 2013: 15:50-16:00:). With increased quality of the coffee and a better knowledge about quality, certification systems and its related marketing, farmers can improve their bargaining power with brokers and get a higher price for their coffee beans in the end. This would make the project sustainable, improving the farmer’s life in a long-term perspective.

However, one big problem with certification schemes is that its impact is limited to the demand (Schrage 2004: 61). In fact, farmers, who are certified to sell Fairtrade coffee for instance are often compelled to sell their Fairtrade coffee at market prices, as there is not enough demand (Muradian & Pelupessy 2005: 2033; Haight 2011). That is a hint, that the coffee chain remains 'buyer-driven' since it is still the consumers from developed countries and businesses, which decide how much certified coffee they want to buy (Ponte 2004: 8). This can also be seen at Löfbergs, which by now buy 26% certified coffee, which only covers a small section of their total purchase of green coffee beans. Kathrine Löfberg states that "unfortunately not everyone is willing to pay the extra amount for Fairtrade coffee" (Löfberg Phone Interview 11:35 - 11:42), making the consumers responsible for their offering. Consequently, the farmers still appear to be without authority and power regarding *what is to be produced* and *how much is to be produced*. Löfberg does however not only make the consumer responsible for that, she further states, that they cannot find all the different quality coffee they need from certified farms:

> *"We cannot find all the different types of coffees that we need in Organic or Fairtrade, then we would be limited and could not have all the products we have on the shelves the most popular brands, products and so on"* (Löfberg Phone Interview 11:08-11:26).

Mutersbaugh calls this a 'parallel production', expressing that the certified coffee only represents a side activity. He goes even further, accusing firms for green washing their conventional coffee with the purchase of certified coffee (Mutersbaugh 2005: 398).

Furthermore, Bitzer et al. found in their study in Peru, where they also studied the partnership of ICP and GIZ, that the certification which could be reached through the conducted projects, ended with the termination of the three year project period as financial support stopped (Bitzer et al. 2008: 16). This would question at least the economic aspect of ICP's SD approach. Bitzer et al. suggest that offering micro-finance to producers could be a possibility to sustain the efforts and to create a stable producer environment (Bitzer et al. 2008: 277). However, this has not been mentioned by either ICP or Löfbergs as being within their efforts. Furthermore, according to Bitzer et al. long-term contracts regarding the produced coffee would be necessary in order to help the farmers and in order to establish a sustainable business model (Bitzer et al. 2008: 16). However, as pointed out earlier, Löfbergs do not have any commitment because they do not even buy the coffee from the farmers, with whom they conducted the project. Gereffi suggests, too, that the connection with the 'lead firm', is of importance, when an actor within the chain seeks to change the current stage: "One of the major hypotheses of the global commodity chains approach is that development requires linking up with the most significant 'lead firms' in an industry" (Gereffi 1999 a: 3).

3.7.2 Participation of the beneficiaries in the partnership

Participation can be understood as a way of distributing the power along the chain in a more equal way. When asking Löfberg about the participation of the farmers in the partnership she answered:

> *"They are very involved because that's the way I think to both get knowledge into the project and I mean they are the ones that know the most of the local challenges and so on. We try to get them involved at a very early stage that they are even collecting data about the temperature and so on. Because for them it is just a feeling, this is much warmer, it is more rain. But if we get them to collect data in a more structured way it becomes very apparent to them and they get very involved in and we get very engaged people"* (Löfberg Phone Interview 2013: 35:33 - 36:22).

Hence, the farmers might be involved when it comes to preparing and implementing the project, but Löfberg did not mention any involvement of the farmers during the decision making part and project definition phase. Bitzer et al. (2013) found that in Peru farmers have been excluded of important stages of the conducted projects:

> *"In all of the partnerships studied, producer organizations reported not to have been involved in the critical planning and design stages of the partnerships, creating significant asymmetries in participation and influence regarding the process and outcome of partnering"* (Bitzer et al. 2013: 10).

It can be argued, that this also might be true for the partnership of ICP and GIZ in the C&C project in Brazil. In another study Bitzer et al. confirm that trend when discovering that often producer organisations are not part of the partnership but instead seen like business partners of the partnership (Bitzer et al. 2008: 274). So, while actors from the consuming countries are strongly integrated, actors of the producing countries are not much involved, which actually mirrors the existing imbalances that already exist in the coffee chain (Bitzer et al. 2008: 275). This is also not conforming to the trend within development theories, where the involvement of all stakeholders in the project is highlighted in order to make development projects sustainable (Oakley 1999: 17). Bitzer goes even further and concludes that partnerships are not a 'reconciliation of interests' but rather business-driven and thereby demand-oriented instead of needs-based (Bitzer 2012: 27).

However, farmers do participate in the actual implementation of ICP's projects and are also responsible for sustaining the learnt things. Löfberg states that:

> *"(…) we try to also educate trainer among them. And this is among the farmers. So we don't send them a trainer. We educate someone in the farmer group, we train the trainers, and they become like ambassadors"* (Löfberg Phone Interview 2013: 36:40 - 36:55).

3.7.3 Transparency in Löfbergs' coffee chain

As within the definition of a sustainable chain used by Francken, transparency is also mentioned as a key requirement, that differentiates a sustainable chain from a conventional one (Ecotrust in Francken 2006: 6). Considering the recent trends within sustainable coffee, where customers demand complete information about the products they buy (Ponte 2004: 8), Löfbergs do not seem to give an answer to those customers, at least not with the blended coffees they have on their portfolio. Some of their products just indicate "South and Central America" as origin, thereby disconnecting the product from its origin and loosing the producers' identity (Löfbergs 2013 f). Ponte and Gibbon found similar approaches from other roasters when they state "roasters have complete information on quality when they buy coffee, and they release next to no information to their clients" (Ponte & Gibbon 2005: 12).

Tchibo for instance, one of the members of ICP, offer a Guatemalan coffee where a certain amount of the profit supports education of children in the very same coffee farm. Simultaneously, on their website one can follow up on the current status of the projects (Tchibo 2013). By showing the customer through a webblog where the coffee comes from and by even giving them the possibility to be a part of 'the good' when they buy and drink the coffee, the company involves the customers and thereby generates transparency. This example of Tchibo is not followed by Löfbergs. There is no information system that shows customers where their noncertified products are produced. However, since they buy certified coffee, which has been certified by a third party, that coffee can be considered transparent to some extent. Others argue that it is not enough just to buy certified coffee:

> *"The model for sustainable coffee that was popular five years ago has changed quite a bit. Five years ago, it was common practice to just go out and buy certified coffees and check the box; and today it's about integrating sustainability and transparency into your supply chain"* (Macray in Haight 2011).

If Löfbergs were following the trend of making their products more transparent by giving complete information about origin, production and process method to the customers, they would be dependent on their suppliers to get this information. Hence, new systems of information allocation along the chain would appear and since every actor only has information to some extent, they either are in competition with one another or else they should cooperate. Ponte suggest that this might even have an influence on the governance structures along the chain or at least in some segments of the chain (Ponte 2004: 8).

It can be seen, that Löfbergs have a strong interest to maintain their role of being the ‘lead firm’, since this is the way they make money. Through long-term contracts with the farmers with whom they have conducted projects, the farmers would have a chance to come closer to the lead firm. This could be a possible threat for Löfbergs, as they would thereby lose some of their power they have regarding information and their unique advantage of having market access. Kathrine Löfberg’s phrasing, when she mentions that they do not buy the coffee because then they would *let them in*, could be interpreted as letting them, the farmers, move on a higher step of the supply chain, closer to Löfbergs. Thus, it can be argued that Löfbergs are not agreeing on long-term contracts but are doing something ‘good’ for the farmers in order to keep them ‘calm’ by giving them the feeling that they care. Also Gramsci found that a leading actor must constantly be attentive to the demands of the subclass as well as the changing context in order to maintain its position: “but even if it holds it [if a social group holds the governmental power] firmly in its grasp, it must continue to ‘lead’ as well” (Gramsci 1971: 57).

From this chapter it could be seen that the farmers are equipped with the knowledge necessary to improve their situation. However, they are still not allowed to participate in the important decisions, which shows, that the governance structure has not changed. Löfbergs further do not shape their coffee chain in a complete transparent way.

4. Conclusion

The following chapter sums briefly up on the findings of the 'analysis and theory' chapter before it provides the reader with an answer to the research question: ***"To what extent does Löfbergs' CSR work contribute to Sustainable Development within the global coffee chain?".***

Löfbergs' operating environment is shaped by the complexity of global public problems whose improvement is complicated through the absence of an international governance system to protect and provide public goods. Private actors have often exploited this situation, while free-riding on the provision of others and thereby created cheap sourcing and business opportunities. Löfbergs themselves have probably to some extent contributed to the public bad of climate change; simultaneously the role of companies in general as contributor to its solutions has been increasingly recognised. My findings have shown that for several actors along the coffee chain the incentive to not share the burden is persistent and that it is easy *not to care* when being aware that the action of one single actor will not make a great difference.

Löfbergs know about the impacts that global warming brings along both for themselves as well as for the coffee farmers, which Kathrine Löfberg clearly states when mentioning the *risk of not finding the coffee they need* in the interview. At the same time the civil sphere is pressuring the company to take on their responsibility as generally more public awareness regarding environmental and human rights issues arises. Several actors and stakeholders also express their claims towards the roasting company: Löfbergs are challenged by demanding customers who ask for transparency and sustainability, farmers want to have fair prices and so on. Not investing in sustainable coffee causes the companies sourcing process to appear as unfair and could ruin Löfbergs' reputation. However, the company has several private good motives to invest in the public good. But, they claim, that it is their values, and the logic of doing the *appropriate thing* that is driving them to engage with the farmers. Simultaneously they highlight the long-term perspective that is connected to the fact that Löfbergs are a family owned business. They might thus see a bigger connection between the public bad and how it affects them than other actors along their chain.

Whatever the reason may be – other researchers also faltered to give a clear answer to that (Pérezgrovas & Cervantes 2002: 22) – they get together with other coffee companies, that are considered to be confronted with similar challenges and to have similar motivations to invest in the good, and form a partnership to fight against climate change and to strengthen the competitiveness of smallholders. As a result they have launched 19 projects in eleven countries, which according to them have an effect on approximately 25,000 coffee growers and their families (Löfbergs 2012/2013: 16). However, considering that Löfbergs alone are sourcing coffee from the involvement of 40,000 farmers, there is a large number of coffee farmers whose continuing problems are not solved. Unfortunately, I could not travel to one of the countries, which means, that I need to acknowledge that my findings are in a way inconclusive. Time and resources for the conduction of this project have been limited, which also did not allow me to conduct further interviews. Further research in this area would have helped me to give a more conclusive answer. At the same time the concept of SD is very complex with different actors understanding sustainability in different ways (Van Huijstee el al. 2007: 85), which further complicates the establishment of links between Löfbergs' CSR work and SD.

However, the information that I could gain in this project shows that the lead firms are the ones, which have strong power to evoke change. Their strong self-interests – their private goods – makes the member companies of ICP contribute to the establishment of a regime, which is reinforced through the membership in other organisations and the same values the companies share. As long as the companies can get a net-gain out of their engagement, they will continue doing so. Thereby hegemony can be seen as a partial solution to the provision problem of public goods. Through their hegemonic power they implement their sustainable ideas on the farmer level by 'convincing' them that it is the best for them to introduce sustainable growing mechanisms. Thereby Löfbergs secure indirectly their own resources through securing prices and at the same time they build up social capital, which is connected to a good reputation. SD is further important for them because, being a family business, they keep the long-term effect of their actions in mind. With the idea of further including other actors as well as due to their membership in other sustainable initiatives Löfbergs enlarge its social capital and credibility. Simultaneously this seems to have good potential to maintain, stabilise and enlarge the established regime. Consequently, the companies' CSR work can be seen as a contribution to the establishment of a regime that strives toward the public good of a global sustainable climate.

However the ‘good’ produced by Löfbergs is limited by the company’s own interest. I suspect further that there is a correlation between the sourcing of sustainable coffee and the price. Löfbergs conventional coffee remains non-certified for now – either because it is too expensive or else, as they state, the quality they need is not available in the certified version.

As far as the farmers are concerned there is evidence that they have been empowered to a certain degree. The minimum outcome for them through the projects ICP conduct is enriching knowledge and experiences, which lead to a better quality awareness and might lead to an increase of income due to their bargaining power. Bitzer et al. found in their field study in Peru that the sustainability of the projects can be questioned since farmers could not continue to invest in the membership of certification systems anymore after the termination of the projects. Simultaneously it could be seen that farmers are not integrated in the important decisions during the project neither has changed something with regard to their authority towards the production process. The higher price they would gain from the certified coffee is dependent on the demand, and this information stays within Löfbergs’ power. Bitzer et al. concluded that ‘empowerment’ is often understood as giving skills and equipping the farmers instead of giving them real chances to be part of the market mechanisms (Bitzer et al 2008: 280). Consequently, there do not appear to be any changes according to the governance dimensions defined by Humphrey & Schmitz: Löfbergs still have the power to decide what, how, when and how much needs to be produced. From this angle, it should to be stated, that even though changes are happening, a sustainable effect on the coffee chain needs to be questioned. Bitzer et al. prove my conclusion by stating: “While being important initiators of change, partnerships are unable to turn the coffee chain into a sustainable chain” (Bitzer et al. 2008: 271).

Concerning transparency in the chain it also needs to be stated that Löfbergs’ sourcing process remains rather opaque. Transparency has to do with knowing the origin of the product and how it has been produced. Except from the certified coffee, which they buy, no third party controls compliance with their code of conduct. Customers do not know exactly where the conventional coffee comes from. They only know that it comes from South America for example. It might be that when buying from *larger entities,* Löfbergs do not know themselves where exactly the coffee is coming from. Accordingly, it might also be, that they are not willing to pay the extra price to get this information. Therefore their

CSR approach can be considered as a way of *how they spent their profits* instead of *how it is earned*, which makes it a more peripheral approach.

In conclusion, while Löfbergs, together with ICP, address important sustainable issues along the coffee chain and are initiators for change, when looking at the bigger picture, issues that are essential to SD such as overproduction and the imbalance in power are not addressed by ICP projects. My assumption is that those issues are not addressed because coffee roasters have an interest in maintaining their current situation. Therefore it seems that Löfbergs' CSR strategy is limited to a win-win relationship between the initiative and corporate profit related interests.

5. Perspective

In this chapter I will reflect on Löfbergs' CSR approach while considering the broader context in which the problem formulation is embedded. In other words, I will offer some recommendations. I will also connect the thesis to other related issues that may have an influence on the development of a sustainable coffee chain.

5.1 Approaching the win-win situation through research

The current situation seems to be advantageous for the roasters and big traders in general, since they are the ones, which end up with the biggest profit in the chain. Seen from a larger perspective, Western firms taking advantage of the less developed countries workforce and resources can be seen in several industries. This is working simply because they have the knowledge and the resources and thereby the power to control the markets (Gereffi 1999: 5). Why should powerful international companies be interested in changing this situation? Changing the situation through the sourcing of ethically traded and environmentally friendly products would mean for them paying a higher price, which is assumingly the reason why they are not doing it. There is a hope that a 'real' win-win situation exists, where all dimensions of SD are considered: the economic, the social and the environmental, meaning that ethically traded and environmental friendly sourced products could be connected to a cheaper price. However, this win-win situation has not been found yet. More investment in research could be a possibility to investigate on the win-win situation. This could be done through big corporations working with local governments and stakeholders. The Swedish 'Globalt Ansvar' as a partnership between the government and corporations for instance supports among other things CSR-research (Riess &Welzel 2006: 20). In other industries research has enabled the production of better products while decreasing the price. The computer industry can be mentioned as an example.

5.2 More transparency through global alignment

Transparency seems to be an issue, which not only Löfbergs are struggling with. Independent third party controls are one possibility to demonstrate compliance. More global alignment could further help to make standards more transparent for customers and other stakeholders. There exist many different certification systems and several initiatives that address a multitude of sustainability issues with members from different sectors, both from the private and the societal sector as well as from different industries. A possibility for more transparency would be to align one's activities with global initiatives such as the UNGC for instance. Industry specific initiatives within the UNGC could further enable businesses that operate in the same context to cooperate, align their operations and to tackle the problems on an international scale. The first initiative of this kind was launched in 2012 within the fashion industry (Ecouterre 2013). Like this, standards, expectations and norms are clearly formulated and accessible for all stakeholders. Such an industry specific initiative could also be established for the coffee sector.

In order to further enforce compliance with rules, a penalty system needs to be indicted and enforced. This has also been suggested by Olsen, when stating that there is a higher possibility of cooperation when *there is coercion or some other special device to make individuals act in their common interest* (Olson 1965: 2). If there was a punishment for unethical business behaviour through, for example a world government or a supranational authority, it would be more likely that firms stick to the rules. This argument is backed by the realist view, which says that actors obey rules because of their fear of punishment (Bäckstrand 2006: 294). Several authors have suggested punishment for private sector actors as an enforcement instrument for rules. Gjølberg for instance talks about hard law and the need of effective monitoring and enforcement of the rules (Gjølberg 2011: 5). Sweden is actually the first country in the EU that has forced large public registered corporations to report on their environmental impact in their financial statement. If they do not comply with the agreed CSR environment criteria, they need to pay five-hundred Euros and risk being accused (Riess & Welzel 2006: 21). Five-hundred Euros seem to be a ridiculous amount, however it sets an example, that moral reprehensible practices are not tolerated. This shows also that national governments play an important role in creating a framework that favours CSR practices.

5.3 Factors that might have an influence on further development in the coffee chain

Last but not least, I would like to mention some factors that can have an influence on the future development of the coffee chain. In the future, current trade models might be challenged by new forms of fair trade systems such as direct trade for example. The concept of direct trade aims at ensuring more transparency through the elimination of middlemen (Ethicalcoffee.net 2014). Furthermore, there is a larger possibility that companies will agree on long-term contracts since they have the personal contact to the ones they source the coffee from and are dependent on the quality coffee they promise to their customers. Hockerts and Wüstenhagen have argued that established companies get inspired by early market success of innovative ideas by social enterprises and try to adapt similar strategies within their CSR approach (Hockerts & Wüstenhagen 2010: 481).

Moreover, new regulations from international organisations can have an impact on SD. For example, while I am writing this thesis, in January 2014, the EU has agreed on a new reform, which should regulate the financial markets regarding food speculation. To date, one can only speculate that this new regulation might stabilise the prices of food, which might also have an impact on the price for coffee (Oxfam 2014).

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