



Sveriges lantbruksuniversitet  
Swedish University of Agricultural Sciences

Department of Economics

# **Assessment of food retail business sustainability:**

The case of Konsum Värmland

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## Abstract

Public concern and the need of responsible way of doing business have brought forward the issue of sustainability at the forefront of discussion in the last decade. Even though, food retailers are playing an important role in the economy, they are exposed for criticism by media and consumers for any socially and environmentally irresponsible business practices because, the potential environmental and social impacts from their operations are significant. These impacts need to be recognized and properly addressed. The main objective of this study was to assess the sustainable business management of a cooperative food retail business in Sweden, known as Konsum Värmland (KV). The necessary data and information on history and status of KV, and its practical activities concerning the implementation of sustainable development programs as well as the motivation and challenges encountered by KV during the implementation were gathered via reviewing different documents, research papers and press releases; interviewing decision makers and other personnel in KV and other researchers from Swedish University of Agricultural University who have investigated KV. The implementation of sustainability initiatives was analyzed in depth mainly based on triple bottom line sustainability theory which addresses environmental, social and economical dimensions of sustainability.

The findings indicate that KV is a successful firm, currently owned by 145,000 members. It has incorporated the sustainability issues into its mission and values. It practically has been implementing sustainability programs in all the three dimensions of sustainable development. It provides environmentally friendly and quality food products using its main brands names for local products. The major drives for KV to implement sustainability initiatives are leadership and employees' commitment, organizational core values, members' and consumers' awareness. On the other hand the major challenges to such sustainability initiatives are high price of greener products, high logistics cost and emission during long winter time with much snow, the seasonality of local product, and high cost of large scale investment. Further study is recommendable to reduce these challenges by designing and implementing more effective approaches of implementing sustainability principles and preparing sustainability report that facilitates further efforts towards sustainable business development. Especially, further study based on detailed quantitative data on emission, waste generation, and efficiency of utilization of resources such as energy, water, paper, vehicles and other resources is necessary.

*Key words:* Konsum Värmland; Food Retailer; Sustainable Business Development; Sustainability Indicators; Triple Bottom Line

## Sammanfattning

Under det senaste årtiondet har hållbarhetsfrågor och behovet av ansvarsfullt företagande lyfts fram i samhällsdebatten. Även om dagligvaruhandeln spelar en viktig roll i dagens ekonomi, utsätts den för kritik från media och konsumenter för alla slags affärsmetoder som ger upphov till negativa sociala eller miljömässiga konsekvenser. Eftersom sådana konsekvenser från verksamheten är betydande är det viktigt att de upptäcks och hanteras korrekt. Syftet med denna studie var att utvärdera hållbarhetsaspekter av företagsledningen i ett kooperativt dagligvaruhandelsföretag i Sverige, Konsum Värmland (KV). Uppgifter om KVs historia, nuvarande status och dess konkreta verksamheter rörande införandet av utvecklingsprogram för hållbarhet samlades in tillsammans med vilka drivkrafter och utmaningar som KV står inför. Insamlingen skedde genom granskning av dokument, forskningsrapporter och pressmeddelanden, intervjuer med beslutsfattare och annan personal inom KV samt med forskare från Sveriges Lantbruksuniversitet (SLU) som har undersökt KV. Som grund för analysen av hållbarhetsarbetet användes den så kallade ”triple bottom line”-teorin vilken behandlar miljömässiga, sociala och ekonomiska dimensioner av hållbarhet.

Resultaten tyder på att KV är ett framgångsrikt företag, ägt av 145 000 medlemmar. Hållbarhetsfrågorna är införlivade i företagets uppdrag och målformulering. Alla tre dimensionerna av hållbar utveckling är praktiken införda i hållbarhetsarbetet. KV tillhandahåller miljövänliga och högkvalitativa livsmedel och säljer lokala produkter under egna varumärken. De största drivkrafterna i KVs hållbarhetsarbete är ledarskap och medarbetarengagemang, organisationens kärnvärden samt medvetenheten hos medlemmarna och konsumenterna. De stora utmaningarna inom sådant hållbarhetsarbete är höga priser på miljövänliga produkter, höga logistikkostnader, ökande fordonsutsläpp vintertid, säsongsbetonade lokala produkter och höga kostnader för storskaliga investeringar. Fortsatta studier rekommenderas för att kunna hantera och minska effekterna av dessa utmaningar. Det kan åstadkommas genom design och implementering av mer effektiva sätt för att införa hållbarhetsprinciper och förberedande hållbarhetsredovisning. Detta kan underlätta ytterligare åtaganden för en hållbar affärsutveckling. I synnerhet är det nödvändigt med framtida studier som baseras på mer detaljerade kvantitativa data om utsläpp och avfallsgenerering, samt studier av hur effektivt resurser så som energi, vatten, papper och fordon används.

## Abbreviations

BRC	British Retail Consortium
CIAA	Confédération des Industries Agro-Alimentaires de l'UE (Confederation of Food and Drink Industries of the EU, Brussels, Belgium)
CSR	Corporate Social Responsibility
EU	European Union
FCA	Full Cost Accounting
GRI	Global Reporting Initiative
HACCP	Hazard Analysis and Critical Control Centre Point
ISO	International Organization for Standardization
KF	Kooperative Förbundet
KV	Konsum Värmlands
MSC	Marine Stewardship Council
NCC	National Consumer Council
NGO	Non-Government Organization
SBD	Sustainable Business Development
SDC	Sustainable Development Commission
SLU	Swedish University of Agricultural Sciences
TBL	Triple Bottom Line
WECD	World Commission on Environment and Development

# TABLE OF CONTENTS

<b>1 INTRODUCTION</b> .....	<b>1</b>
1.1 PROBLEM BACKGROUND .....	1
1.2 AIM AND DELIMITATION .....	3
1.3 DELIMITATIONS .....	3
1.4 OUTLINE.....	4
<b>2 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK</b> .....	<b>5</b>
2.1 SUSTAINABLE BUSINESS DEVELOPMENT .....	5
2.2 TRIPLE BOTTOM LINE .....	6
2.2.1 <i>Environmental sustainability</i> .....	7
2.2.2 <i>Social responsibility</i> .....	10
2.2.3 <i>Economic sustainability</i> .....	15
2.3 SUSTAINABILITY INDICATORS OF A BUSINESS COMPANY .....	16
2.4 MOTIVES AND CHALLENGES TO SUSTAINABILITY IN RETAIL TRADE.....	17
<b>3 METHOD</b> .....	<b>19</b>
3.1 CASE STUDY APPROACH.....	19
3.2 RESEARCH APPROACH .....	19
3.3 RESEARCH STRATEGY.....	20
3.4 LITERATURE REVIEW AND THEORETICAL PERSPECTIVE.....	20
3.4.1 <i>Consultation, manual search and computer search</i> .....	21
3.5 COLLECTING DATA .....	21
3.6 DATA ANALYSIS .....	22
3.7 QUALITY OF RESEARCH DESIGN .....	22
<b>4 EMPIRICAL BACKGROUND</b> .....	<b>24</b>
4.1 MARKET STRUCTURE .....	24
4.2 SWEDISH FOOD RETAILERS PROFILE.....	24
4.3 HISTORY OF KONSUM VÄRMLAND .....	25
4.4 LOCATION.....	26
<b>5 EMPIRICAL FINDINGS</b> .....	<b>27</b>
5.1 ENVIRONMENTAL ENGAGEMENT .....	27
5.1.1 <i>Energy consumption</i> .....	27
5.1.2 <i>Waste reduction, recycle and reuse of packaging materials</i> .....	28
5.1.3 <i>Environmental friendly food products</i> .....	29
5.1.4 <i>Product quality and brand names</i> .....	30
5.1.5 <i>Animal welfare and meat quality control</i> .....	31
5.2 SOCIAL ENGAGEMENT .....	31
5.2.1 <i>Fair trade products</i> .....	31
5.2.2 <i>Supplier's standards and business ethics</i> .....	32
5.2.3 <i>Policy for supplier</i> .....	32
5.2.4 <i>Community activity</i> .....	33
5.2.5 <i>Members and employees of kv</i> .....	34
5.3 ECONOMIC ENGAGEMENT .....	34
5.3.1 <i>Financial performance</i> .....	35
5.3.2 <i>Economic potential for human development</i> .....	35
5.3.3 <i>Economical development for kv members</i> .....	36
5.4. MOTIVATION AND CHALLENGES .....	36
<b>6 ANALYSIS AND DISCUSSIONS</b> .....	<b>38</b>
6.1 TRIPLE BOTTOM LINE BASED SUSTAINABILITY ANALYSIS .....	38
6.2 ENVIRONMENTAL ASPECT OF KV'S SUSTAINABILITY .....	40
6.3 SOCIAL ASPECT OF KV'S SUSTAINABILITY .....	41
6.4 ECONOMIC ASPECT OF KV'S SUSTAINABILITY .....	42
6.5 MOTIVES AND CHALLENGES OF IMPLEMENTING SUSTAINABLE BUSINESS DEVELOPMENT INITIATIVES .....	43

<b>7 CONCLUSION AND RECOMMENDATION</b> .....	<b>45</b>
<b>REFERENCE</b> .....	<b>47</b>
<b>APPENDIX A</b> .....	<b>57</b>
<b>APPENDIX B</b> .....	<b>58</b>

## **Tables**

Table 1 core subjects and issues of social responsibility addressed in ISO 26000 .....	13
Table 2 Main recommended indicators of sustainability of a business company.....	16
Table 3 Members and Yearly employees .....	34
Table 4 Financial performance of KV during 2008-2011.....	35
Table 5 TBL based assessment of KV's progress in implementing sustainable business development practices. ....	39

## **Figures**

Figure 1 Triple Bottom Line parameters .....	6
Figure 2 Market share of major food retailers in Sweden. ....	24
Figure 3 Shop/ outlets of Konsum Värmland .....	26
Figure 4 Local brand names of Konsum Värmland .....	30
Figure 5 Gender distribution of KV leadership and employees.....	34
Figure 6 Net sales of KV over recent years. ....	35



# 1 INTRODUCTION

Sustainable development can be stated as “ development, which meets the needs of the present without compromising the ability of future generation to meet their own needs “ ( Report of the world commission on environment and development, 1987). Sustainable development encompasses a balanced approach for economic growth, environmental justice and social equity (Wilson 2003). SBD takes “a comprehensive perspective of the corporation and its business environment that includes direct relationships with suppliers, distributors, customers, partners ,employees and shareholders and indirect linkages with stakeholders , competitors ,related industries ,and the natural environment (Eco –systems) “(Rainey, 2006, 1). Corporation have now understand the need to address once it have been believed to be outsiders of the business operation and consider their relationship with consumers, supply chain networks, stakeholders and providers of business solutions to create sustainable solutions and performances (*ibid*).

Since 1990’s, there is a growing concern for sustainable way of doing business operation among the public, regulators, market and financial institution (Dewhurst ,1993), and become increasingly important to consider the environment and social aspects of their operation regardless of the companies size and resources (Moore and Manring, 2009).Specially, the adverse environmental impacts business operation have and unsustainable use of natural resources have shown the significance of sustainable business development concept that combines the environmental, economic and social forces (Shrivastava,1995).

## 1.1 PROBLEM BACKGROUND

Food retailers make a lot of contributions for the economic growth and employment opportunities in Europe. Retailers are becoming large corporation because of the trend in Europe for merger and acquisitions. According to confederation of the food and drink industries in EU (CIAA, 2006), although the experience and consolidated markets of food retailers differ significantly in European member states, the trend in general is towards larger stores and hypermarkets. For Example, the Sweden Food retail market has been the most consolidated one, up to 91.7 % shared between four to five actors in the sector and the situations in other countries like Germany, France and Netherlands have shown the same trend. Retailers are considered as important players in utilizing resources wisely and reducing impacts on the environment and society (McGoldrick, 2002). This is due to different factors such as the

economic size and strategic position retailers have between the manufacturers and consumers, the influence they have on the supply chain, the constructive and negative role they can have on the society and the natural environment, and their ability in shaping up the consumer behavior.

Public concern, Scandals in retailing and the media coverage, and the need of responsible way of doing business have brought forward the issue of sustainability at the forefront of discussion in the last decade. At the same time, following consumer awareness and regulatory demands, retailers have begun to actively monitor the upstream of their supply chain by imposing requirement at the time of procurement to reward a contract (BIO intelligence service, 2009 ). The arrangement takes different forms between the retailers and the supply chain. These include the working condition of employees, child labor practice, health and safety concerns, paying remuneration and avoiding products, in the supply chain, that have negative environmental impact, animal welfare and food safety.

Excessive use of natural resource , everlasting generation of waste and the dangers of global climate change have been big concerns for business people, consumers and government regulators. The past two decades have been important in creating awareness about the risk associated with environmental degradation. The WCED (1987) ground breaking report, agenda 21 states “unsustainable patterns of consumption and production particularly in industrialized countries are major cause of global environmental degradation “. After fifteen years, this report becomes the basis for international and European policy on sustainable business development in developed countries like Europe and North America.

Even though, food retailers are playing an important role in the economy, the potential environmental and social impacts from their operation are huge (Jones et al., 2005?). Food retail businesses are significant users of input natural resources, agricultural resources, marine resources, forest, water, fuel and energy. Outputs from food retailing operations such as water waste, emissions, packaging waste, organic waste, and plastic waste are significant (Deloitte, 2009). Particularly, retailers have significant social and environmental footprint that needs to be recognized and properly addressed.

Konsum varmlands (food retailers), one of the cooperative subsidiary of coop Sweden operating in Karlstad region, is among such companies which have to assess the operation

impact on the environment and society and adopt strategic sustainable program. However, there are no well established standards for assessing the sustainability of such business firms and there is no well defined standardized way of reporting using clear indicators (szckely and Knirsch ,2005). Given, the awareness of the society on sustainability issue is increasing, the society expects more sustainability reports and companies need to produce such reports that are trustworthy and accessible.

## 1.2 AIM AND DELIMITATION

In this study, Konsum varmlands (KV), a company operating in food retail business in Sweden, has been assessed from sustainability perspective. Hence in this project, it was intended to understand how sustainable business practices can be developed in the context of local and regional food retail business from economic, social and environmental perspective. The specific research questions designed to guide the research project are:

- What are the major sustainability indicators for successful sustainable business development of a food retail company?
- How does a Konsum Värmland incorporate sustainability principles in its business operation?
- What are the main perceived motives and challenges to implement sustainable business development initiatives?

## 1.3 DELIMITATIONS

The notion of sustainability become a global issues and covers broad and complex issues. A further fact that complicates the issues of sustainability is that to attain the possible optimal sustainability goal needs to evaluate performances in terms of social, economic and environmental dimension .Since there is no clear concenece of suitability indicators to evaluate and assess sustainability performances .This project aims to select appropriate sustainability indicators for food retail company, Konsum Värmlands operating in Sweden in the region of Karlstad, as a case study to assess the sustainability initiative from the triple bottom line approach.

## 1.4 OUTLINE

This project is presented in seven chapters. Chapter one begins with the motivation to the study, the problem back ground, aim and the research question designed to fulfill the objective of the study. Chapter two focuses on the current literature and theoretical framework with regards to TBL and sustainable business development. Chapter three defines the methods followed in conducting the research. Chapter four provides the empirical background about the Swedish food retail market and Konsum Värmlands history and business activities. Chapter five present the findings of the case study Konsum värmlands . Chapter six focuses on the analysis and discussion and finally chapter seven concludes the research findings and pinpoint further research areas.

## **2 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK**

In this chapter the theoretical framework used for analysis triple bottom line theory was presented thoroughly from social, economic and environmental dimensions. Literature review that are relevant for the case study such as sustainable business development, sustainability indicators, stakeholder theory and ISO 26000 social responsibility guidelines have been included to give basis for the analysis and discussion .

### **2.1 SUSTAINABLE BUSINESS DEVELOPMENT**

There is some kind of agreement on the current business doing that the current business is unsustainable. How to realize sustainable business development is a global challenge. Regardless of from where, the emission created during business activities contributes to the global climate change, that have disastrous consequences in the future (Huesemann, 2001). Leading companies started to take action to counteract the damage and incorporate the principles, procedures, practices and strategies to their strategic business development (Rainey 2006). Many companies have designed interactive management system to meet the demands of customers who want superior products, services with minimum waste and less impact on the environment and reduced impact on health safety of individuals. Likewise, the customer, the media and the society at large expect good supply networks, allies and cooperation whether it has direct or indirect tie to the company.

To manage the changes in the business environment, a strategic framework has to be designed such that it has the capability to incorporate the needs of partners in supply networks, clients and other interested party for implementing the programs and strategies. The system should follow “cradle- to- grave” approach from the product design to the final end of product. That includes the reuse and recycle of valuable resources at the end of the pipe line. Now it is common to see companies that have distinct management system to track customer complaints, to look after the supplier network, the quality of their service and products (Rainey 2006). As a consequence of the demands from the internal and external pressures companies are trying to transform the traditional management approach to a dynamic and fully interconnected management system to involve stakeholders ,consumers and innovative environmental friendly technologies in the management process.

In general sustainable development perception has different stages, and it embraces political opinions and various scholarly perspectives. Sustainable business development integrates the economic, social and environmental viewpoints. In this study, the sustainability issue of a food retailer/ company will be evaluated using mainly Triple Bottom Line theoretical framework.

## 2.2 TRIPLE BOTTOM LINE

The term triple bottom line (TBL) first came to existence in the works of Johan Elkington's "cannibals with Forks: the triple bottom line of 21<sup>st</sup> century business" (Norman and MacDonald 2004 p.244). The term refers to "simultaneous pursuit of economic prosperity, environmental quality, and social equity" (Elkington, 1999), and it starts with a question of "is capitalism sustainable?". In simple terms, Elkington (1999) believes the current capitalism structure needs to be restructured in order to address the issue of sustainability.

The notion behind the triple bottom approach is to measure companies' performance not only by using traditional bottom line (the economic aspect) that would not show the whole picture of the company's performance but also by its environmental and social performance (Norman and MacDonald, 2004). There has been a strong belief in and out of the corporation world that firms have an obligation to address the social and environmental aspect of their operation and in the long term it will be difficult for them to exist if they don't address the interest of stakeholders. Figure 1 presents the conceptual framework of TBL.

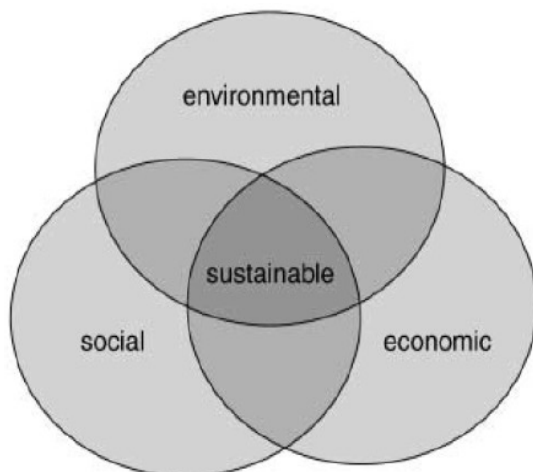


Figure 1 Triple Bottom Line parameters (Maxey, 2006, p.231)

### 2.2.1 Environmental sustainability

Nowadays, the urgency to protect and conserve the natural environment became the major values embraced by most leading companies (Hart, 1992). Sustainable business will be one of 21<sup>st</sup> century main agenda. Environmental strategies help companies to forecast and measure the impacts their operational activities have on the environment and start to take actions to significantly reduce waste and environmental pollution in advance and to take the positive business opportunities (Berry and Rondinelli, 1997). Growing number of companies incorporates environmental performance as a core value and a vital management practice.

#### ***2.2.1.1 Approaches to environmental management***

The management of environmental issues have become one of the most important matter at all hierarchy of management (Porter & van der Linde, 1995). The pressure from government and consumer are believed to be the factors that help for such development within management issues (Henriques & Sadrosky, 1996). Firms have gone through steps in their approach to tackle the environmental problems they have been facing:

- Firstly, in the 1960s, avoiding government environmental regulatory control was their practice
- In the 1980s, companies have tried to confirm the regulatory with less cost to regulation and react to environmental damages and
- Nowadays, the companies realize the government environmental regulatory as competitive business opportunity and try to capitalize on the environmental performance (Weaver, 1996).

The notion of total quality management and environmental management has given a fresh perspective on how firms can make environmental management market oriented and cost effective( Berry and Rondinelli, 1998). Many renowned companies have started to voluntarily audit their environmental performance in order to identify and mitigate their environmental risk, build good relation with the local community and government regulators. Such a voluntary audit help firms to assess their operating system, formulate environmental strategies and identify the real cost of environmental controls and environmental risk mitigation activities (Berry and Rondinelli,1998).

According to Berry and Rondinelli (1998), environmental management involves five key approaches. These are: (1) waste minimization and prevention; (2) demand-side management; (3) design for environment; (4) product stewardship; and (5) full cost environmental accounting.

**Waste minimization and pollution prevention:**-It deals with the use of material resources, process and technologies that decrease or eliminate hazardous waste or the creation of waste at source rather than at the end of the pipeline (Berry and Rondinelli, 1998). The motivating factors to implement the waste prevention practices are the high cost of pollution, waste disposal control and legal risk raised from unchecked operation. According to Zosel (1994) pollution prevention technologies in manufacturing include Material substitution, process modification, material reuse within the existing processes, materials recycling to a secondary processes and material reuse within a different process.

A number of business companies have already engaged in forecasting and reducing waste materials before they are generated. For example, Scott paper has adopted an integrated system to reuse, recycle and even to substitute materials when it is possible; chevron oil company has reduced 60% of hazardous waste between 1987- 1990 and at the same time it saved \$10 Million . So, the search for clean technologies and process trigger a new spawning of innovation and new forms of process that lead to less energy intensive manufacturing products and reduce the environmental effects of products. Therefore, pollution prevention strategies make feasible the efficient use of resources and reduce the cost associated in handling waste.

**Demand-side management:**- It focuses on the addressing customer preferences and wants and rooted in the utility industry. The basic ideas behind demand side management are providing products that are demanded by customer and increasing awareness of customer to use services and products efficiently. The demand side management gives new perspective for firms to look for new business opportunities. For example, utility companies are not merely involved in the business of selling electricity but in a business of providing environmental benefits like brightness and comfort; telephone companies are also involved in providing a range of services that have environmental benefits such as teleconferencing that significantly reduces the importance to travel long distance that in turn reduces transport pollution (Berry and Rondinelli, 1998).



**Design for environment:** It is the principle in which the design and manufacturing processes consider environmental aspect as integral part of the product (Coddington, 1993). The goal of environmental design can be easily attained when environmental concerns are included at the early steps of product and service design and when changes can be made to eliminate or decrease environmental wastes associated with the process and design (Allenby, 1993).

**Product stewardship:** This strategy helps to curb the potential environmental damages resulting from product design, distribution, product use, and discarding of product after the economic life time. In most developed countries government and consumer are urging the companies to be responsible for the products after they left the manufacturing facilities. The “take-back “law, require the product manufacturers to take care of the products and packaging materials at the end of the product life. Firms are responding effectively for the product stewardship using life cycle analysis method to determine a room for improvement at each level of product supply chain (procurement, manufacturing, distribution) waste recovery, reuse and recycling (Dillon and Baram, 1993).

**The concept of environmental accounting:** This has two aspects. The direct cost of companies in relation with bottom line and other costs that are merely considered externalities in the company cost structure such as cost of the natural environment and society for which the firm is not held responsible. But, the development of full cost environmental accounting has contributed in shaping how to identify and quantify the full cost of direct and indirect environmental costs products , process and even projects (Kirschner, 1994). Full cost environmental accounting (FCA) takes into account (1) direct costs such as labor, capital , and raw materials; (2) hidden costs such as monitoring and reporting costs(3) contingent liability costs such as costs of fines and remedial action; and (4) less tangible costs such as public relations and Good will( Berry and Rondinelli, 1998). There are plenty of reasons companies can benefit from using FCA method. Firstly, simply by reorganizing housekeeping and working routines numerous environmental risks can be alleviated. Secondly, it enables to know and allocate environmental costs to products and process that help to precisely value the real value of the product and can be an important input in the pricing of service and products. Thirdly, FCA method not only provides an important input in determining the environmental cost associated with the product or service but also enables to look for better alternative, less costly product design and process and create exit environmental strategies to reduce environmentally risky product.

Environmentally proactive firms found the FCA method to be more important beyond the management of financial and operational performance of firms. It can help in promoting the environmental communication of the firm. By improving the environmental communication of the firm, it could be important to build confidence in governmental regulator, the stakeholders and the society at large. Furthermore, the environmental communication enhances the corporation to stand out from the competitors and can be taken as a responsible corporate among the society. As a result, the firm can get advantage in creating its sales strategies and it will have influence even in the stock price of the company among environmental conscious investors (Ditz *et. al.*, 1995).

### 2.2.2 Social responsibility

The notion of corporate social responsibility (CSR) has long been in the literature. Howard Bowen (1953) discussed the issues of corporate social responsibility in his book entitled *Social Responsibility of Businessmen*. The CSR concept addresses the crucial relationship between the society and business. The argument in favor of CSR normally begins with the principle that it is the benefit of the business firm, in the long term, to act as socially responsible corporate citizen (Carroll and Shababa, 2010). Further argument in favor of the corporate social responsibility is that if firms self-regulate and manage to succeed in fulfilling the stakeholders' expectation, they can ward off future government intervention. Since a lot of efforts tried by others to solve the business related social problem failed, corporations need to have a chance to solve the problem (Davis 1973). Business firms should be given a chance to solve the social problem, because these firms have financial and human resources, the management talent, and expertise. All together it is believed among the public that business firms should anticipate and act to engage in CSR to address the concerns of the community, stakeholders, and the employees in addition to their profit pursuit (Bernstein 2000).

There are also arguments against CSR. The four main such arguments are:

**Profit maximization:** The argument against CSR basis on the classic economic theory, managers of a firm are responsible to maximize the profit of shareholders or owners of the corporation and social concerns are not the issue of the free enterprise or private property system (Friedman, 1962). Friedman (1962) argued that the government has the responsibility to collect tax and allocate resources to fight social problems whether inflation or poverty.

**Lack of expertise:-** Business firms lack the necessary expertise to address the social issues. Managers are trained to run business and lack the skills to solve social issues (Davis 1973). Friedman (1962) questioned the schizophrenic personality of businessmen who can tremendously capable and have quality leadership in terms handling internal business issues ,whereas lack the insights and consequences of their actions in issues that are outside of the business operation , that can endanger the survival of the firm.

**Competition:** Engagement of business firms in the social problem makes them weak in global competition.

**Excessive power:** business firms already have economical and social power and they shouldn't be given additional responsibility to control and shape the society.

The practices of CSR have a long history in many parts of the developed countries (Jones et al., 2007). A shift in values and interest of customers and stakeholders, especially in developed societies, and the insurgency of new ways of communication technologies ( that have contributed for the rapid and ease of information spread) could explain the relevance for the practices of CSR (Moon and Vogel, 2009). The increasing demand from civil society and media on companies to act in socially sensible and environmentally acceptable manner and to show openness and transparency with regard to their social performances has put a lot of pressure on the managers run the corporations (Freeman, 1984). As a consequence, CSR has been one of the top priorities of global retailers and consumer goods industry for the past decade and since 2011, it has become the number one priority of managers.

Carroll (1979) has conceptualized the four parts of CSR model: economic, legal, ethical and the philanthropic responsibilities. The economic responsibilities are the foundations for the existence of the firm and other responsibilities rest up on the economic performance.

**Economic responsibilities:** The primary incentive for entrepreneurs to engage in business activities is profit maximization. Without economic profit the other responsibilities remain mere moot considerations (Carroll, 1991). The important point is to what extent business are pursuing their profit motive without compromising the stakeholders' interest.

**The Legal responsibility:** legal responsibility with the economic responsibility serves as the fundamental requirement for business operation in free enterprise system (Carroll, 1991). Society expect business to pursue the profit motive while operating according to the laws and regulations established by federal and regional governments.

**Ethical responsibility:** According to Carroll (1991), “ethical responsibility embraces those activities and practices expected or prohibited by societal members even though they are not codified into law”. Ethical values and norms precede the formulation of laws and become the driving forces to the very creation of regulation and laws.

**Philanthropic responsibilities:** include corporate activities that are expected to be carried out voluntarily with the corporation discretion to respond to societal demands. Even though, the philanthropic responsibilities are highly desired and valued by the society, Corporations provide it with their own voluntary discretion to the public.

#### **2.2.2.1 ISO 26000 and social responsibility**

International standard organization (ISO) defines a standard as “a document, established by consensus and approved by a recognized body that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context” (www, ISO, 2010). In the last decade the issue of social responsibility has got momentum in the organizational sustainable debate for reasons of globalization and NGO campaigning. To address the social injustice in the work place and improve the working condition ISO 26000 for social responsibility has been designed (*Ibid*) ISO 26000 is intended to enable business firms to have positive impact in sustainable development. It addresses seven core subjects and many issues as presented in Table 1.

Table 1 core subjects and issues of social responsibility addressed in ISO 26000. (www, ISO, 1, 2010)

Core subjects	Description
<b>CS1</b>	<b>Organizational governance</b>
<b>CS2</b>	<b>Human rights</b>
	1.due diligence
	2. Human rights risk situations
	3.Avoidance of complicity
	4. Resolving Grievances
	5. Discrimination and vulnerable groups
	6.civil and political rights
	7. Economic ,social and cultural rights
	8. Fundamental principles and rights at work
<b>CS3</b>	<b>Labor practices</b>
	1.Employment and employment relationships
	2. Conditions of work and social protection
	3. Social dialogue
	4. health and safety at work
	5.human development and training in the workplace
<b>CS4</b>	<b>Environment</b>
	1.Prevention of pollution
	2.sustainable resource use
	3. climate change mitigation and adaptation
	4.protection of the environment, biodiversity and restoration of natural habitats
<b>CS5</b>	<b>Fair operating Practices</b>
	1. Anti- corruption
	2. Responsible political involvement
	3. Fair competition
	4. Promoting social responsibility in the value chain
	5. Respect for property rights
<b>CS6</b>	<b>Consumer issues</b>
	1. Fair marketing ,factual and unbiased and fair contractual practices
	2. Protecting consumers health and safety
	3. Sustainable consumption
	4. Consumer service support, compliant and dispute resolution.
	5. Consumer data protection and privacy
	6. Access to essential services
	7. Education and awareness
<b>CS7</b>	<b>Community involvement and development</b>
	1.community involvement
	2.education and culture
	3. employment creation and skills development
	4. technology development and access
	5.wealth and income creation
	6.health
	7.social investment

### 2.2.2.2 Stakeholder theory

Stakeholder theory is one of the concepts used to address the CSR issues. According to Clarkson (1995) “Stakeholders are persons or groups that have, or claim, ownership rights, or interest in a corporation and its activities, past, present, or future.” Hence, stakeholders include Debt holders like banks, employees, shareholders, tax collectors, customers, suppliers, local community and of course the shareholders who risk significant amount of capital.

Stakeholder theory found its roots in the strategic management (Freeman, 1984; Clarkson, 1995) and then developed into organizational theory (Jones, 1995; Donaldson & Preston, 1995) and finally further developed in business ethics and corporate social responsibility (Phillips & Reichart, 2000). Stakeholders have equal right to get the attention and benefit. The stakeholder theory doesn't always try to explain the relationship stakeholders have with the firm, but it goes more than describing the relationship.

**Categories of stakeholder theory: Instrumental** stakeholder theory focuses on the relation between company performance like profitability and stakeholder approach. Instrumental perspective of stakeholder theory tries to describe the connection and available between the companies stakeholder management and the traditional measures of companies objective like sales growth, profitability and increase in market share.

In **normative** stakeholder theory, the connection between the companies stability and profitability with stakeholder management is not an issue nor the observed facts of corporation stakeholder management with relation to the theory. In contrast it focuses on moral standards and philosophical principles. According to Freeman and Evan (1988), in the normative stakeholder theory, the firm has to be reconceptualized in terms of Kantian Ethics. This means “each stakeholder group has a right to be treated as an end in itself, and not as means to some other end, and therefore must participate in determining the future direction of the firm in which it has a stake” (Donaldson and Preston, 1995 p.73). Even though, both the instrumental and normative analysis try to prescribe or imply the right choice on the side of the decision maker, they both depend on different bases. The normative approach is entirely categorical it claims “Do (don't do) this because it is the right (wrong) thing to do”.

The fair distribution of social and economic benefit for multiple stakeholders depends on the normative perspective of the stakeholder theory. The normative perspective has myriad of answers starting from a narrow side of stakeholders that have the power to influence decision and commit risk to a broad view of stakeholder that don't have the power to influence the firm.

### 2.2.3 Economic sustainability

Even though business sustainability is currently accepted to be a combination of economic, environmental and social performances, economic sustainability is the most abstract combination of the three pillars of sustainability, all of which overlap and interact with each other. Even though, economic sustainability is vital for the long term survival of the business, there is no universal agreement on the indicators or criteria of economic sustainability of business.

Global reporting initiative (GRI) defined the economic sustainability as “an organizations impact on the economic circumstances of its stakeholders and on the economic systems at the local national and global levels”(www.globalreporting,2012). Therefore, the GRI economic sustainability indicators emphasize on the economic impact of the firms on the society and the flow of resources among different stakeholders. Financial results/profits issued quarterly, semiannually and yearly are important instrument to understand the organization and its financial viability (GRI, 2006).

In most of the literatures from environmental and social management background, there are two ways to address the issue of economic sustainability. The first begins with the issue of how business can survive and this approach evaluates the inside of the organization. The second approach considers the economic impact the organization has on the economic system or on the society from stakeholder point of view. The first view focuses on brand reputation and corporate sales as a main goal for economic sustainability. Even though this inside view does not tell the whole story of the corporation sustainability, it can tell important part of the story. As highlighted by Labuschagne (2005), the economic sustainability of a corporation must focus on internal performance rather than external economic contribution to the society based on financial performance; potential financial benefits in terms of environmental or social performances ; Economic performance of corporation in terms of earning per share, and increase market share, and trading opportunities.

The second approach of addressing economic sustainability of a corporation involves addressing the organization's economic impact on the economic system and stakeholders as a whole and investigating how the external environment affect the organization sustainability. The economic influence might involve everything from creating employment, the production of public goods, the upstream and downstream supply chain and employee benefit. Apart from

altruistic reasons there are business benefits in the short and long term by involving the society in the operation of corporation. This might involve developing skilled work force, creating productive and healthy society to do business with and ensuring the supply side of customer with purchasing power and loyalty to the organization.

### 2.3 SUSTAINABILITY INDICATORS OF A BUSINESS COMPANY

In 21<sup>st</sup> century a sustainable company should evaluate its progress based on the concept of TBL. However, organizing the important information is a challenge to develop sustainability metrics/indicators. For example, concerning mainly the environmental sustainability, some of recommended metrics/indicators are: material intensity, energy intensity, toxics released per unit of products or services, and greenhouse gas intensity. But there is no well defined and standardized way of reporting using such indicators. Table 2, presents the summary of main recommended metrics/indicators for TBL based assessment of the sustainability of a business companies. Sustainability indicators can help decision-makers set sustainability goals, assess company's progress and compare alternatives.

Table 2 Main recommended indicators of sustainability of a business company (adopted from Szekely and Knirsch, 2005, p. 628- 647).

<b>Sustainability pillar</b>	<b>Sustainability indicator</b>
Environmental sustainability	-resource consumption efficiency
	-waste generation intensity
	-promoting environmentally friendly products and innovation
Social Sustainability	-top management and employees' commitment for implementing company's sustainable development programs
	-availability of training on sustainability issues
	-job creation and handling labor issues appropriately
	-incorporating philanthropy such as donation and sponsoring
	-availability and accessibility of sustainability report
	-women's involvement in the management
Economic Sustainability	-turnover, total expenditure and net income
	-employee financial benefits
	-donations and spending for cultural and societal development programs
	-production volume increase and market expansion
	-investment potential of the company



## 2.4 MOTIVES AND CHALLENGES TO SUSTAINABILITY IN RETAIL TRADE

Variety of factors motivates retailers to be engaged in non core business activities (such as environmental and social issues) in a certain way. These include new legislation, investors, pressure from NGO and government bodies, media attention and information communication technologies have forced food retail outlets to show interest and commitment in the social and environmental impact of their operation (Jones *et, al.*, 2005). Above all, retailers understand that long term viability of their business depends on addressing the interest of different stakeholders. Some of major motivating factors are financial factors, stakeholders expectations, reputation, management and societal factors.

**Financial:** It is identified as one of the major factors that will contribute for the sustainability of the retailers to introduce sustainable products in the market (BIO intelligence service 2009). In the long term, investing in sustainable products helps in saving potential cost increasing the profit margin.

**Stakeholders expectation:** To attract and secure potential market and financial gain from sustainable products retailers start to learn the expectation of their stakeholders. The strategic benefit of providing social and environmental issues to the front of their sustainability effort match the consumer awareness and willingness to buy product that are sustainable. Well informed consumers become a new force in shaping the sustainability of products.

**Reputation:** the drive to engage in environmental and social issues emanates from the risk associated to social damage and to mitigate potential reputational risk specially from their supply chain.

**NGOs:** play an important role in the retail sector in exposing what is going on the supply chain of the retailers. It is common to see cooperation between NGOs and retailers in order to assist them in social justice and environmental progress to avoid negative publicity and promote sustainability in the supply chain (BIO intelligence service, 2009). NGOs can take part in lobbying and campaign against certain product.

**Managerial:** an important factor for the retailers sustainability their organizational values and top level management initiative.

Food retailers face a number of challenges and risk while trying to implement sustainability because of the market dynamics and the competition they face around their environment. Although, some retailers engage in sustainability initiatives, They quite often faced with a number of challenges to maintain and expand their sustainability programs and initiatives in house, upstream and downstream supply chains (Deloitte, 2009). Some of the challenges retailers face are described below.

**Financial challenge:** the cost associated with the program and the need to justify to Board of directors that the activities have impact to the growth and profitability of the retailer. Because business firms are not established to serve merely for charitable purposes .

**Market challenge:** Although a lot of consumers have positive attitude towards sustainable products, at the moment it is difficult to convert in to tangible demands for this type of products regularly. Still price is the determinant factor in consumer choice to buy or not to buy sustainable products (BIO intelligence service, 2009).

**Reliability of supply:** one of the challenges for sustainable products, at the moment there is no know how and technology to supply the products in environmentally friendly and socially sound way. There are huge concerns about the capability of the supply chain network to deliver sustainable products (Almaani, *et al.*,2004).

**Regulatory restrictions:** regulatory demands from governing bodies that restricts the use of certain substance ( eg. EuP Directives), requires food safety criteria's and mandatory Eco design products, are believed to be effective instruments to enforce sustainability requirements that protect the consumer and the environment; Even though , such regulatory demands would not favor retailers because of its cost implication, especially when the rules vary between member states (BIO intelligence service 2009: 50).

**Managerial barriers:** Board member awareness and involvement play decisive role to incorporate sustainability core values at the corporate level and enhance the environmental and social performance of the company (Almaani, *et al.*, 2004). Lack of coordination between involving parties, lack of information and training are barriers to incorporate sustainable thinking in the core values of the business.

### **3 METHOD**

The focus of this project is to understand how sustainable business practices can be developed in the context of local and regional food retail business from economic, social and environmental perspective. In order to get a deeper insight, the study bases its research on qualitative case study research method. Empirical data were collected through interview and questionnaires plus secondary sources of data were sourced from different sources such as reports, working papers, company websites, books, journal articles, and other relevant reputable sources.

#### **3.1 CASE STUDY APPROACH**

Case study strategies are recommended when specially “How” and “why” research questions are asked, and a researcher does not have control over the experience and when the focus of attention is on contemporary phenomenon surrounded by real life situations ( Yin, 2003). Case study have been the accepted research strategy in business, social science and community planning (Ghauri and Gronhaug, 2002) and in all situation the desire to employ the case strategy is to understand complicated social phenomena. As a whole, case study strategy helps researchers to understand and investigate issues from the holistic point of view and most often try to collect data from different sources in order to have a detailed perspective of the case under study (Yin, 2003). Case study includes a range of activities and research methods, from multiple to single case study and different unit of analysis by groups or individuals across. Case study merely focuses on the in-depth study of specific instances or phenomenon. Qualitative investigation more often takes the shape of case study.

It is suggested that unlike quantitative method qualitative method lacks rigor and reliability and that the conclusions cannot be generalized and their validity are challenged through time (Hartley, 1994). But Yin (2003) argued that “case studies are generalizable to theoretical propositions and not to populations or universe”.

#### **3.2 RESEARCH APPROACH**

Research strategy refers to the course of action to be followed to achieve by the researcher to answer the research questions that are raised at the beginning of research design, and to meet the objective of the research. According to (Bryman and Bell, 2007) there are two main research approaches which may produce the finding of new knowledge, namely inductive and deductive research approaches. There is no best approach to solve business problem but the selection of

one from the other depends on our decision how to approach the phenomena. Inductive approach starts with observation of specific case, and tries to form generalization. Deductive approach commences from the general theory and seeks to confirm these specific instances. In deductive approach the arguments are based on accepted principles, rules and laws that helps to review the literature in generating the theoretical framework.

This study was based mainly on qualitative case study research method. Qualitative investigation more often uses case study. Case study strategies are recommended when a researcher does not have control over the experience and when the focus of attention is on contemporary phenomenon surrounded by real life situations (Yin, 2003). Case study strategy helps researchers to understand and investigate from the holistic point of view. Case study approach targets at fulfilling the three main views of the multi method qualitative study such as explaining, understanding and describing a certain phenomenon under investigation (Yin 1994; Kumar, 2005).

### 3.3 RESEARCH STRATEGY

Research strategy refers to the course of action to be followed by the researcher to answer the research questions that are posed at the beginning of research design, and to meet the objective of the research. YIN (2003) discussed that the choice to select the research strategy that fits for the specific research depends on the availability and accessibility of resources and knowledge. Among different research strategies, case study has been chosen, in order to link the research objective with the collected empirics and the theoretical frame work. Case study approach targets at fulfilling the three main views of the multi- method qualitative study, such as explaining, understanding and describing a certain phenomenon under investigation (Yin, 1994; Kumar, 2005). In reality most of the time research studies can include a combination of the three. In this project it was intended to understand how a local food retail firm can incorporate sustainability initiatives to its core business practices from economic, social and environmental point of view.

### 3.4 LITERATURE REVIEW AND THEORETICAL PERSPECTIVE

The starting point to conduct a research is to identify the pertinent relevant literatures and studying and summarizing the relevant ones (Hart, 1998). The aim of conducting literature review is to get up to date knowledge in the topic under study. It can also be used to inspire

research ideas by pinpointing gaps or inconsistencies concerning the knowledge in the field under study.

To identify the pertinent conceptual frame work, a literature review was conducted in this thesis project. Most of the literature searches were undertaken using electronic databases via SLU computer networks. Key search words such as sustainable business development, triple bottom line, sustainability indicators, and food retailer were identified to generate the relevant literatures sought and these key search words were also gleaned from the SLU Thesaurus database. Furthermore, since SLU databases use Boolean operators “AND “, “OR “and “NOT” to search and retrieve the database, they are used to search and retrieve the relevant literatures.

#### 3.4.1 Consultation, manual search and computer search

Published peer reviewed literature was the key task to find scholarly journal articles. This helps to demonstrate the understanding of sustainable business development and to put the study in a wider context. Furthermore it will add benefit to know good information before embarking to time consuming project work.

In this study, to identify the relevant literatures consultation, manual search and computer search have been used. Consultation has been made throughout the research process. The research has also used journal, books and literatures that are found within SLU subscription network and manuscripts that are relevant to the sustainable practices of business. Going through the relevant materials helps to set the theoretical frameworks to be tested with the empirical evidences to be collected during case study.

### 3.5 COLLECTING DATA

There are six potential sources of data for case study. These are research interview, direct observation, document analysis and physical artifacts, participant observation, participant observation and archival records (Yin, 2003). In case study, the qualitative evidence (data) can be found from two sources primary and secondary sources. Primary data is collected for the first time by the researcher for the project under study while secondary data is a data source which originally collected for different purpose and reused (Saunders et al., 2003). A complete list of data source can be extensive including videotapes, photographs and life histories. In this study both primary and secondary data were used when ever appropriate, possible and trustworthy. The evidence collected in this project on the assessment of sustainability of food retailing

business is based on qualitative evidence. To collect primary data in this project, interview questionnaire have been designed to conduct the interview using telephone and email conversions. This allows to quickly gather a large amount of data and moreover it helps to clarify information provided from the secondary sources. The second mechanism used to collect data is document analysis that are publically available for all stakeholders from companies annual report, sustainability report, websites, press releases, agenda (mint) and presentation that was recorded during KV personnel's seminar meeting with SLU researchers . In addition to the emphasis given to the individual sources, an override principle is important to get reach in a case study(*ibid*). These may involve the use of multiple sources of data.

The necessary data and information on history and status of KV, and its practical activities concerning the implementation of sustainable development programs were gathered via reviewing different documents, research papers and press releases by KV; interviewing decision makers and other personnel in KV and other researchers from Swedish University of Agricultural University who investigated KV. In addition, information regarding the motivation and challenges encountered by KV during the implementation was collected and discussed. To collect primary data in this project, a questionnaire was designed and sent to responsible person at KV. The answers and related information (such as important websites for document data base on KV and KF) were received through email and telephone conversions.

### 3.6 DATA ANALYSIS

Data analysis includes examining, testing summarizing and categorizing of empirical findings to address the initial proposition (yin, 2004). Unlike quantitative research qualitative data analysis is difficult to make because the strategies are not well developed yet. According to yin (2004) there are three strategies to follow during the analysis phase of the study process, relying on theoretical proposition, developing case description and setting up a frame work based on rival explanation. In this study, the data collected from interviews and document analysis have been categorized with respect to environmental, social and economic dimensions and analyzed using triple bottom line theoretical framework.

### 3.7 QUALITY OF RESEARCH DESIGN

**Reliability:** The aim of research reliability is to reduce the errors and biases in a case study. Yin (2003) described it as ” The objective is to be sure that if later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over

again, the later investigator should arrive at the same findings and conclusions “. Joppe (200) also defines reliability as “ the extent to which results are consistent overtime and accurate representation of the total population under study is referred to as reliability and if the results of the study can be reproduced under similar methodology, then the research instrument is considered to be reliable”. Documentation of the research procedures play an important role to allow other researchers to rerun and reach to similar findings and conclusions.

**Validity:** refers to the integrity of the findings and conclusions that are produced from the case study. Constructive validity refers to “Establishing correct operational measures for the concept being studied” (Kidder & Judd, 1986 P.26). There are at least three ways to increase the construct validity of case study and to confirm the overall quality of the research. The first one is review by participants. To be sure about the contents in the study report, it is reviewed by the members of the participant. It is still possible that the informants and participant may have different opinion on the final report and interpretation but not on the actual facts of the study. Hence, it will increase the construct validity of the case. The second way is to go for multiple sources of data and this has significance especially during data collection. The third tactic is to create chain of evidence, again relevant during data collection. Validity of research can be internal or external. According to Yin (2003), internal validity refers to “establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships”. Internal validity is much a concern for casual (explanatory) study, and not for exploratory or descriptive studies.

The external validity refers to the degree to which the findings and conclusion of the case study will hold water and can be generalized to the other settings, to other persons and to other times. Critics state that external validity has been a major problem in doing case study research. However, this critics indirectly comparing case study to survey research implies that if representative sample is taken it is assumed that the result can be generalized back to the population.

## 4 EMPIRICAL BACKGROUND

In this study, Konsum Värmland has been used studied focusing on sustainability issues. It is one of food distributing companies in Sweden. In general, the Swedish food retail sector is more integrated and concentrated and as the common trend in Europe, the sector has been owned and run by few actors and owners of food retailers. Changes in social demographics and life style of consumers towards a single person household have an impact on the retailing business. The retailers are working towards meeting the demands of the consumers by providing healthier alternative products, home meal substitutes and ready to consume food items. The Swedish food consumers demand nutritious, fresh and organic foods. In addition to high quality food items, the consumers demand to know the traceability and environmental issues associated with supply of the food products.

### 4.1 MARKET STRUCTURE

The Swedish food market structure is characterized by low degree of market internationalization and firmly stable market. However, there is increasing competition because food retailers from other region such as Ahold which has 50% percent interest in the major retailers of ICA and Lidl have entered into the Sweden food retail market. To overcome such international competition, the retailers need to reduce the operation cost, by coordinating central procurement activities that will definitely catch the benefit of economics of scale and volume dynamics.

### 4.2 SWEDISH FOOD RETAILERS PROFILE

The Swedish food retail and whole sale activity is controlled by three retailers ICA, COOP, and AXFOOD (see Figure 2). Altogether they account above 90% of the food retailing market. Regional retailer Bergendahlsgruppen which actively works in southern Sweden covers about 5.7% of the market share.

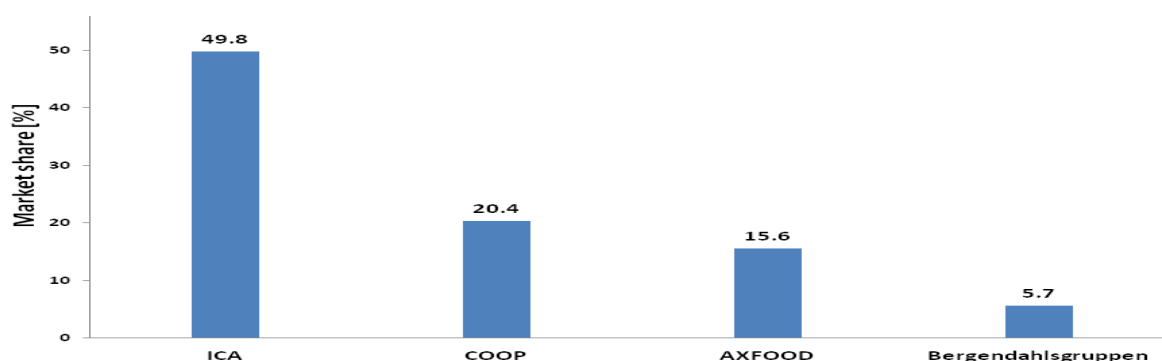


Figure 2 Market share of major food retailers in Sweden. The Market share is expressed in percentage of total food market in Sweden. (USDA, 2010, p.5)



**ICA Group** is a food retail company operating widely in northern Europe. It has around 2,125 of its own and retailer-owned stores in Sweden, Norway, Estonia, Latvia and Lithuania. **COOP** is the name of food retailer owned by a cooperative union, a group known as KF (Kooperativa Förbundet) in Sweden. KF is a federation of 42 consumer cooperative societies in Sweden, with over 3 million individual members. Coop runs grocery retail trade in chains like Coop Forum, Coop Extra, Coop Konsum, Coop Nära and Coop Bygg together with the retail consumer cooperative societies. Coop accounts for 20.4 percent of the entire Swedish grocery retail sector.

**AXFOOD** is a group running food retail and wholesale (Dagab and Närlivs) trade in Sweden. It owns Willys, Hemköp and PrisXtra food retails and it owns about 237 stores and a large number of proprietor (about 840 proprietors) run stores that are tied to Axfood through agreements. Axfood has about 16% share of the food retail market in Sweden (see Figure 2).

**Bergendahls Gruppen** is a company owned by a family and operates in three business areas: Food, Fashion and Home Deco. The company started in 1922, and currently it has a total of 185 outlets and has a food market share of 5.7 % in Sweden.

#### 4.3 HISTORY OF KONSUM VÄRMLAND

Konsum Värmland is a cooperative association founded in 1903. It has around 80 outlets across the region with nine different business concepts. Common to all is that they offer affordable goods and quality food to the consumer. The association work with the vision of “Konsum Värmland shall be for the benefit of their member and partner. This shall take place primarily through offering the lowest possible price for quality and genuine goods .The association shall, in addition, on a commercial basis, foster environmentally friendly products from Värmland (www, konsumvärmlands, 4, 2012).

Knosum Varmland commanded a market share of 53.7% in 2010, in the Värmland region. In 2011, it has recorded a turnover close to 3.9 billion Swedish kroners. This cooperative association has 145,000 members (one member / house hold), which represent over 90 % of the region’s population (Olsson, 2011). According to Olsson (2011), the full control Konsum Värmland is distinct in Sweden that it involves both the retailing and whole selling business and also provides its own broadest range of proprietary and locally produced brands over production facilities and quality ensures that the products meet the requirement of the customers and helps in strengthening their brand. The mission of KV is stated as “KV will works for the benefits of its members and shareholders. This will be done by offering the lowest possible price on pure

and unmodified products. In addition, it supplies its environmentally friendly goods produced locally in Värmland.”

#### 4.4 LOCATION

The outlets and subsidiary companies are located within the region of Värmlands, Örebro and Västra Götalands region. The stores are located around the city of Karlstad, the biggest city in the region of Värmlands. Konsum Värmland firm has its head office in Karlstad

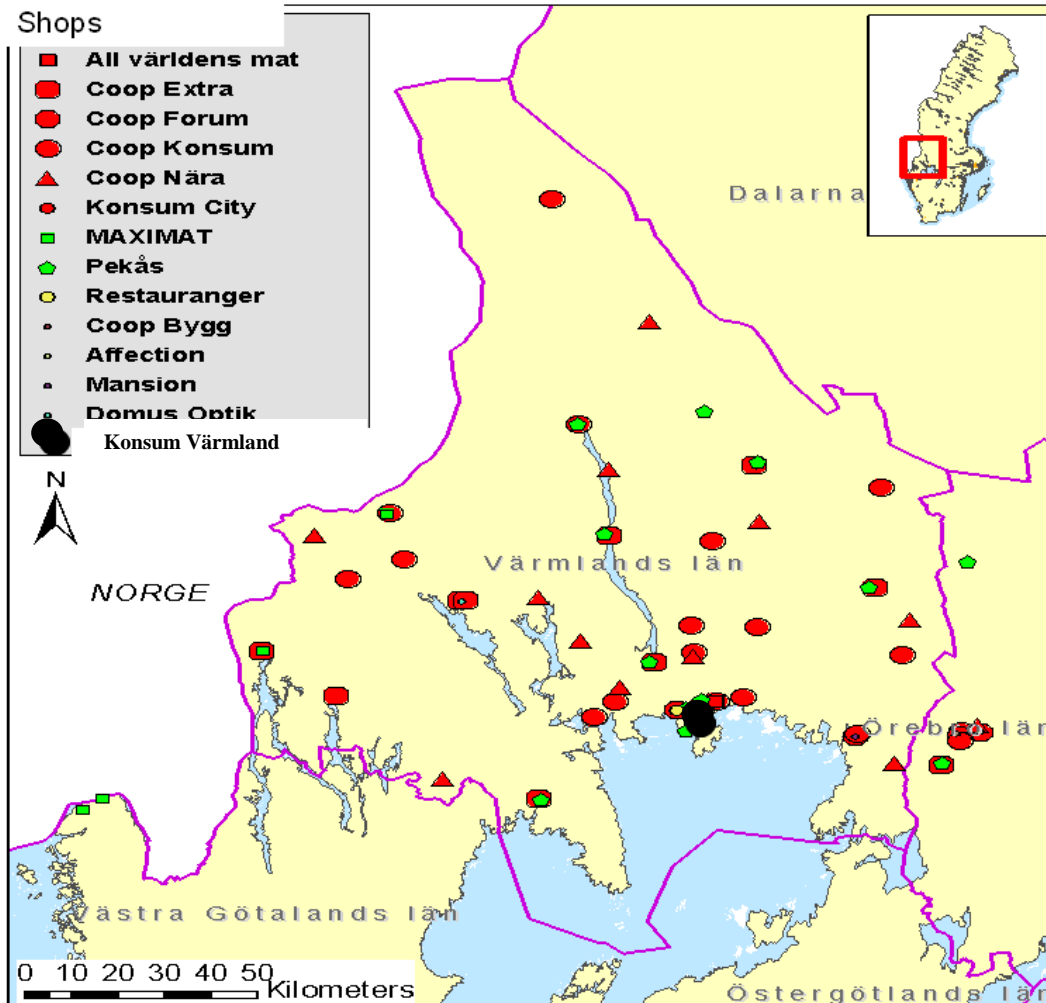


Figure 3 Shop/ outlets of Konsum Värmland (source: Nordmark,2012).

## 5 EMPIRICAL FINDINGS

Information and data have been gathered concerning Konsum Värmland Company. The main empirical findings in relation to sustainable business development have been presented under the three pillars of sustainable development: Environmental Sustainability, Social Sustainability, and Economic Sustainability. Also the main motives and challenges in implementing sustainability programs by KV have been identified.

### 5.1 ENVIRONMENTAL ENGAGEMENT

Over years, KV has made a lot of significant progress on sustainability programs. The focus has been on issues that have close relevance with the activities of food retailing and areas in which they can make real progress. KV has identified priority areas to engage in sustainable initiatives. These include playing a leading role in community development projects, in sourcing the products they buy, in valuing and supporting local and regional product, reducing the environmental impact of KV's business operation, and promoting the values and culture of the cooperative union (www, Konsum Värmland, 1, 2012).

Environmental concern refers to a range of points. These include waste production, energy usage, emission, water usage and Biodiversity. KV is looking for alternatives to reduce the environmental impact of its business operation. It is working on strategies how to lower power usage and refrigerator leak to reduce its green gas emission and lower operating costs (www, konsum varmland, 6, 2012). KV is also working at technologies to eliminate waste and to improve the waste management procedures. These strategies have better pay off in conserving the environment, saving cost, and generating revenue (*ibid*).

#### 5.1.1 Energy consumption

Over the recent years KV has managed to reduce the energy usage and refrigerator leakage, and further more it is working with suppliers and consumers to find ways to mitigate the environmental impact. For example KV has implemented a new sustainable store design that are environmentally friendly and energy efficient (www, konsum varmland, 7, 2012). KV has improved the efficiency of electricity consumption from lighting, heating and cooling. Furthermore, KV has taken steps to change the doors of refrigerators and freezers that reduce the energy needed to keep their product cool and at the same time to save energy that required for heating the stores (*ibid*).

### 5.1.2 Waste reduction, recycle and reuse of packaging materials

Nowadays, food retailers are paying major attention to improve waste reduction as environmental issues are getting attention more than ever. KV considers waste reduction as one of the most important sustainability agenda (www, konsum varmland, 2, 2012). The main target is to use resources in most wise and sustainable way possible. Priority is given to reuse and reduce waste both from foods and packaging. For example, coolers, trolleys and transport pallets. When it is not possible to reuse, disposing and recycling in environmentally friendly way are considered as good option. Especially, KV has gained good experience in plastic and paper waste management than competitors of KV (*ibid*). Each store of KV has a qualified staff and responsible for collecting and sorting of packaging and other recyclable materials like corrugated cardboard cartons, plastic packaging and plastic film. The collected materials are sent to KV varmlands environmental station, where, specially trained staff makes quality assessment before it goes to the final recovery process.

KF members have tightened their commitment to reduce their environmental impact on the climate. KF has set a goal to decrease the carbon emission from their activities by 10% in year 2010 and up to 40% by year 2020 taking year 2008 as reference (www, coop, 3, 2012). Coordinated and consolidated freight transport and refrigerators are in the focus of attention to decrease the impact on our climate. To get better result on our environmental performance the coop invests on efficient energy technology. The expenditures are more focused towards reducing energy consumption of stores, freight transport and coolants and refrigerators plants.

KF reports indicate that, the emission from its activities was reduced by 48% in year 2010 and by 45% in year 2011. The less achievement in 2011 was due to different difficulties. The main reasons that increased the emission from transport sector are longer winter season with heavy snow, longer transport distance, and increased transport activities to avoid delay in supply chain. The company believes that the environmental effect of its transport activities is huge and it has been reviewing the possible logistics solutions. This indicates that for the coming years, finding best logistics solutions will be one of the main agendas of the KF partners to reduce the environmental impact and increase their economic benefits. The second largest greenhouse gases emissions in their operations come from the refrigerator plant in stores and at the terminals. For example, in the case of KV, the leakage has decreased during the year 2011 from 13% to 10%. Leakage has been common in the retail industry and solutions are underway to overcome the issue. (www,konsumv armland, 6,2012).

### 5.1.3 Environmental friendly food products

In years 2011 and year 2012, coop retailers have been branded by Swedish consumer as the most sustainable brand in Sweden (www, coop, 6, 2012). The retailers are inspired to consolidate their position and to lead in the market. Especially, Coop Änglamark was the brand that most Swedish consumers are spontaneously mentioned for the question of Swedish greenest product (*ibid*).

KV stores offer consumer thousands of organic, natural and environmental friendly products increasing the organic choices. KRAV have been playing a major role in promoting and developing organic market in Sweden since 1985(WWW, KRAV, 1, 2012).The eco label (KRAV) is popular among Sweden consumers. KRAV stands for sound natural environment, good health, social responsibility, and animal welfare.

Customers of KV expect affordable and safe products. They also have interest to know the source of seafood supplied in a way satisfying the environmental and ethical standards. In response to its customers, KV has made a profound analysis of the environmental effects of Fish and other marine products and this has led KV to have maritime strategy (WWW, coop, 2, 2012). Today's fish farming and fishing is not sustainable and put pressure on the fish stocks and ecosystem. However, their vision is to be considered among the most dependable players for a living sea (www konsum varmalnd, 8, 2012). The KF cooperative is a leader in sustainable fishing and living sea strategy and it wants the consumer and members to be able to buy sea food in KV stores (*ibid*).

The KV stores provide Sweden Broadest range of sustainable alternative products in the form eco-label (environmental label), fair trade (social label) products. With a wide range of organic and eco label foods means the products are labeled with EU or MSC ( marine stewardship council ) and the labels show that the products are free from chemical pesticides ,fertilizers and genetically modified organisms(www, coop, 6, 2012). The number of environmentally certified (eco- label) products has significantly increased in the stores recently. The most popular ecological products are baby food and egg which cover the largest percentage of organic products sales (*ibid*). During 2011 the range of organic products, such as dairy products were introduced under a brand name of Änglamark. The aim is to give consumers the option to choose one organic product within each product category with potential expansion of the market share for organic products in the future (*ibid*).

From environmental point of view, organic products are promoted due to their benefits such as promoting bio diversity, soil fertility and seasonal cycling and energy efficiency, being free from genetically modified organisms and synthetic fertilizers which are energy intensive, and reducing the residues of pesticides (www, coop, 5, 2012).

#### 5.1.4 Product quality and brand names

Food products in KV retailers are produced in a sustainable way and with less environmental impact. KV pays a lot of attention in producing food products and checks that its supply chains are following sustainable business practices. For example, the supplier has to provide documents and implement self control and self inspection practices that includes cleaning schedule, temperature control, personnel hygiene, Pest control, staff training and water supply (www,coopsam.coop,4,2012). Furthermore, the supplier must have documented and implemented total quality management in accordance with ISO 9000, Hazard analysis and critical control points (HACCP) and British retail consortium (BRC). The contractor shall comply with industry agreements regarding the origin and the European parliament and council regulation (EC) no. 1760 2000 on the labeling of beef and beef products and for other Swedish legislation on the handling of food (*ibid*).

Konsum Värmland is well known brand in the region. In addition to its top brand-name, Konsum Värmland, it uses other brands such as Värmlandsgrisen (sourcing pigs from 32 farms in Värmland), Värmlandslammet (sourcing lambs from 28 farms in Värmland), Värmlandskött (sourcing cattle from 14 farms in Värmland), Nästgård (sourcing products mainly from Värmland) and Svenska favorite (supplying meatballs) (see Figure 4).



Figure 4 Local brand names of Konsum Värmland (www, Konsumvärmland,2012)

### 5.1.5 Animal welfare and meat quality control

KV has set mechanism to control animal welfare and meat quality. It performs such inspection in cooperation with independent and competent organizations such as Agricultural society of Värmland and Animal Rights Alliance. For Example in 2009, four of the 24 farms that deliver gris to Värmlandsgris were identified as farms that undermined animal welfare issues and these four farms were banned from supplying to Värmlandsgris. The animal farms are cooperative to such quality controlling activities. “We Värmland pig farmers have nothing to hide and we welcome Agricultural Society for quality controls” Ingemar Olsson of Alkvetterns farm, 2009. The aforementioned local brands (see Figure 4) which supply animals to KV shoppes are known for their high quality meat which has been guaranteed due to the following factors:

- The farms are in the region, inspected and open to be visited by consumers and workers in the abattoir.
- Animal handling and transport are carried out without affecting the welfare of animals following the Scan AB’s animal care program.
- well matured animals are supplied for slaughter and
- all animals are kept untied

## 5.2 SOCIAL ENGAGEMENT

For more than 100 years, the values of KV reflect mainly important issues like member ownership, honesty, concern for human and environment, innovation, and influence translation. The mission of Konsum Värmland is stated as “to create economic benefits and also make it possible for members in their consumption contribute to sustainable development for people and the environment” (www, coop, 7, 2012).

### 5.2.1 Fair trade products

When the product carries the fair-trade mark it means, the producers and traders have met fair trade standards. The standards are designed to address the imbalance of power in trading relationships, unstable market and injustice of conventional trade (www, coop, 8, 2012). Fair-trade offers producers a better deal and improved terms of trade. Konsum varmlands supply and sales a number of fair-trade marked products and the sales of fair-trade goods have been increasing from year to year. Fair trade offers consumers a powerful way to reduce poverty through their everyday shopping. The food retailer goal is to offer for consumers a range of fair trade labeled commodities. For example, currently COOP retailers in Sweden have around 100

fair trade label products such as coffee, chocolate, tea drinking chocolate, sugar, jam, honey, vegetables, pasta and oil (*ibid*). By providing fair trade labeled products COOP retailers are contributing to improved living and working condition to farmers in developing countries.

### 5.2.2 Supplier's standards and business ethics

For customers who seek healthy habits and care about how goods and services are produced, the obvious choice is retailer that supplies environmentally friendly products. (www, coopsam.coop, 4, 2012). The retailer sets sustainability requirements based on its goals in the areas of environmental, health, labor practice and ethics. The supplier should know the standards that food retailers of KV have for the product safety and environmental criteria. Product safety of both food and non food items is important. Hence, the retailers require their suppliers to meet specific requirements and also recognize that the significance of their supplier commitment to environmental and international labor practices (*ibid*).

### 5.2.3 Policy for supplier

**Access to job:** The retailer requires the suppliers should not be engaged in any activities of forced labor or support the use of forced labor. An employee shall not deposit any money, identification card or their property in return to get or secure a job in the supplier's facilities and shall leave the employer with reasonable notice (www, coopsam.coop, 4, 2012).

**Right to organize:** Employees have the right to join or create their own labor unions and can bargain collectively. Representatives of the union under no circumstances should be discriminated and be allowed to perform their duties freely (*ibid*).

**No child labor:** The retailers have zero tolerance for suppliers that use child labor for the manufacturing of all items. According to UN convention on the rights of child and ILO convention 138 and 182, children under 18 years old should not participate in work that could jeopardize their health or safety (*ibid*).

**Non Discrimination:** Their shall not be any discrimination at the suppliers facilities based on the sexual orientation, disability, race, gender, religion, marital status, political affiliation or union membership. The supplier must recruit based on merit and competence. An employee with the same education background and ability should be remunerated equally. Acts of abusive



behavior, coercion, exploitation, discrimination, unjustified dismissal for example, due to pregnancy, HIV positive, marriage status and parenting must not be tolerated (*ibid*).

**Working condition:** The supplier shall create to the employee appropriate conducive work environment and provide the necessary sanitary facilities. A system has to be established to protect, avoid potential threats to the health and safety of employees (*ibid*).

**Minimum wages:** Salaries and benefit schemes should follow the countries laws and industry standards. The remunerations are expected to cover the daily and basic expenditures of the employees and be agreed before the employee starts work. Disciplinary action based on payroll deduction is prohibited (*ibid*).

**Work Schedule:** The working hours per week have to be with the conformity of international labor convention and must not exceed 48 hours per week and the employee is entitled at least one day off from his duties. Overtime duties must not exceed 12 hrs per week and remunerated according to current laws and industry standards (www, coopsam.coop, 2012).

#### 5.2.4 Community activity

KV participates actively in developmental activities of the region. KV established the Värmland Environment Fund in 1994. This fund helps to stimulate environmental activities in the Värmland region. This fund is financed by saving five cents from each plastic bag sold, and the fund is open to association, companies or individuals working in the area of implementing environmental programs. During years 1995-2003, this fund handed out nearly 2 MSEK to different environmental projects that mostly engage young people in Värmland (www, konsumvarmland, 9, 2012).

KV also gives financial support to short and long term environmental projects planned to increase the awareness among children and youth. For this, it works with Universities and Schools in the region. For example in 2004, KV awarded 25 000 SEK and 20000 SEK to Nature Conservation and Edberg Centre respectively for environmental projects inspiring young experts and implemented in collaboration with Karlstad University(www, konsumvarmland, 9, 2012). Also about 98000 SEK had been handed out to different schools and preschools in Värmland region for improving outdoor environment for the students.

### 5.2.5 Members and employees of kv

The members of KV have been increasing in number. Table 3 indicates that the number of members has increased by 44% of the past decade. At the end of 2011, it had around 147,000 members. However, the number of employees shows decrease in recent years. For example it decreased from 1800 (in 2005) to 1471 in 2011 (see Table 3).

Table 3 Members and Yearly employees

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Members (1000)	102	104	105	107	106	126	128	131	133	137	141	147
Yearly employee	-	-	-	-	-	1800	-	-	1600	-	1511	1471

Considering the gender distribution of employees, 63% and 66% were women in 2010 and 2011 respectively. Similarly, 46% of the executive management and 33% of board members were women in both 2010 and 2011. Figure 5 indicates that the gender distribution of employees and leadership for recent years. KV has also been expanding in terms of members (shareholders). During 2000-2009, the number of members was increased by about 40,000.

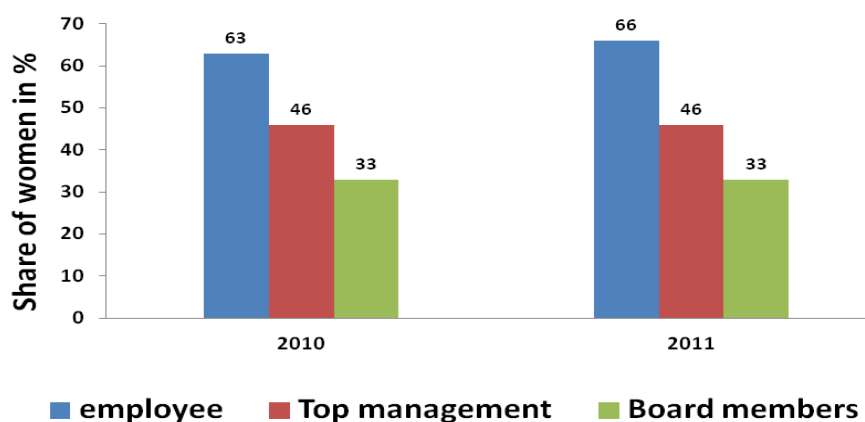


Figure 5 Gender distribution of KV leadership and employees

### 5.3 ECONOMIC ENGAGEMENT

KV's economic performance has shown strong results. This was assessed in terms of its financial performance, economic potential human development, economic benefits of members and customers.

### 5.3.1 Financial performance

Considering the economic performance of the recent years, the profit before tax was 812 MSEK 2010 and 744 MSEK in 2011. In year 2011 KV has paid back dividend of 72 MSEK to its members. It also increased its investment activities. In 2011 alone, it has invested about 121 MSEK in building new stores expanding their market share (www, konsum varmland, 10, 2012). This enabled KV to achieve an influx of members to the association. Table 4 and Figure 6 indicate the economic performance of recent years.

Table 4 Financial performance of KV during 2008-2011.

Description	2011		2010		2009		2008	
	MSEK	% Net sales	MSEK	%	MSEK	%	MSEK	%
<b>Net sales</b>	<b>3532</b>		<b>3649</b>		<b>3652</b>		<b>3573</b>	
Gross profit	744	21.1	812	22.3	777	21.3	750	21.0
Selling expense	776.6	22.0	795.2	21.8	784	21.5	767	21.5
Administration cost	13.02	0.4	9.17	0.3	8.6	0.2	9	0.3
Profit after tax	8.4	0.2	40.4	1.1	29.2	0.8	6.4	0.2
Investment	121	3.4	25	0.7	23	0.6	107	3.0

As shown on the table above the financial performance of konsum Värmlands economic performance with respect to sales, gross profit, selling expense, administration cost and profit after tax were strong comparing with performances with previous years.

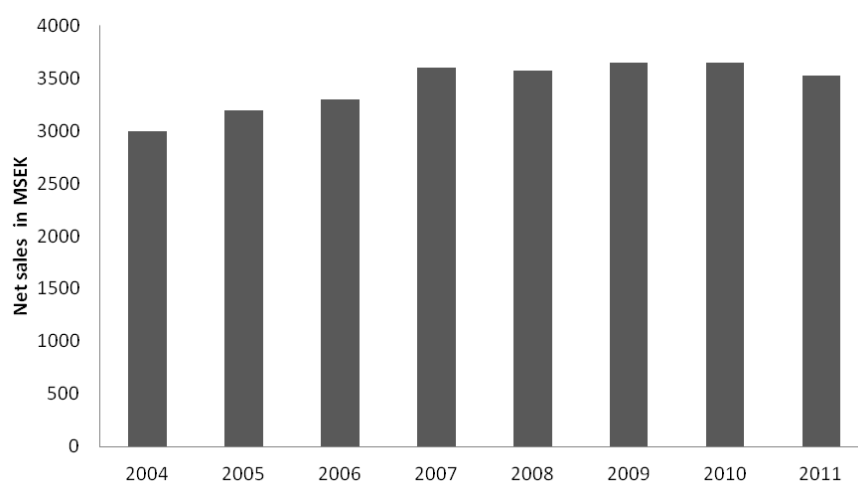


Figure 6 Net sales of KV over recent years.

In figure 6, the sales figure in million Swedish kroner starting from year 2004 till 2011 and shows that the sales increased from 2004 till 2007, and remains nearly constant after wards.

### 5.3.2 Economic potential for human development

In cooperation with the region of Värmlands and the employment services Knosum Värmlands have a scheme to offer apprenticeship to local young people with the aim of creating job

opportunities for the unemployed youth enabling them to get job experience, insight about KV and more knowledge about modern business environment. “We would like to contribute offering jobs to more young people in Värmland area coming to work and get experience and insight in the retail profession”, KV’s human resource manager, Jan- Erric Agnemyer.

KV, in association with employment service, employer organization, workers in Värmlands and local authorities have taken project called *Apprentice 2.0* for talent search. The project has been partially funded by EU social fund. The main aim of the project *Apprentice 2.0* is to strengthen the supply of expertise in the region of Värmlands and to provide real job opportunities to the youth(www,konsumvärmlands,4, 2012).

### 5.3.3 Economical development for kv members

According to CEO Steve Fredricsson, the basic mission of KV is to make economic gains for its members. ( KV is a cooperative where members are the owners and the surplus profit will go back to its members .The members refund vary from 1% to 5% and will never be below one percent and awarded according to the purchase they have made in KV stores. In year 2011 KV has managed to award 72 million kroner to the members. CEO Steve Fredrikson says “we know how the members bonus refund scheme is important, specially for average families who buy most of their purchases from our stores”. The member bonus is up to five percent and never less than one percent. The more the member purchases from KV stores, the higher the bonus.

## 5.4. MOTIVATION AND CHALLENGES

The managerial commitment and organizational core values have played an important role in pursuing the environmental and social responsibilities. As stated in KV’s mission statement, KV strive for member’s economic benefit and sustainable consumption which in turn lead towards sustainable business development. For KV, members’ willingness to preserve the culture and values of the cooperative and the consumers’ awareness about the future trends are among major drives to embrace sustainability.

The challenge facing KV to reduce the environmental impact of their operation is enormous. Price products increases as quality of produce and sustainability of production systems increase. The supply of local product varies seasonally so that it is difficult to satisfy customers need throughout the year. Long winter time with much snow increases the logistics cost and emission values. Different actions taken to reduce environmental impacts of KV activities require large

scale investments. In addition to this, quantifying generated emissions and other wastes and preparing sustainability report require skilled manpower (www,coop, 3, 2012).

Greener products are often more costly to produce, and this higher price negatively influences consumer decision-making and reduces potential sales of green products. Supplying the local products is associated with seasonal problem. It is observed that KV stores have difficulties in meeting a changing demand, and performing all packaging services when the demand increases(www, coop, 3, 2012).

The cost of replacing freezers and refrigerators in food retailing business needs a lot of investment and longer time span to reduce the environmental impact (www, konsum varmland, 2012). To increase the assortment of green product the cost of production is also a challenge because of high cost of production and small volume supply of organic products. Cost of regulatory compliance is a challenge towards sustainability when countries don't have uniform requirement on food safety, restriction of substances on the production of the item that will lead to cost complication.

## 6 ANALYSIS AND DISCUSSIONS

Contemporary food retailers understand the need to evaluate their operations and address the fact that sustainable business operation goes beyond their mere goal of profit making. There is increasing agreement that retailers have the power to impact on sustainability issues both upstream and downstream of their supply chain. However, integrating sustainability initiatives into their business action plan is not an easy task, especially with the retailers that have a number of supply networks and products. As indicated in the objective of this study, first the main dimensions of sustainable development should be identified. From TBL sustainability theory, there are three pillars of sustainability, namely, Environmental dimension, Social dimension, and Economic dimension. According to Newman (2007) the issue of integrating sustainability gets even more complicated to make optimal decision in terms of Environmental, Social, and Economic dimensions. In the current study Konsum Värmland has been studied aiming to answer the following major questions: *What are the major sustainability indicators for successful business development of Konsum Värmlands? How does KV incorporate sustainability principles into its business operations? And what are the perceived motives and challenges to incorporate sustainability in Konsum Värmland firm?*

### 6.1 TRIPLE BOTTOM LINE BASED SUSTAINABILITY ANALYSIS

The triple bottom line based analysis has been carried out using carefully selected metrics/indicators of sustainability. Metrics of sustainability performance assist in evaluating the progress of company's sustainable business development internally and externally. However, organizing important information is a challenge to setting sustainability metrics/indicators. At the beginning of this study, one of the main questions intended to be answered was *-what are the major sustainability indicators for successful business development of food retailer like KV?* Major recommended sustainability indicators in environmental dimension are efficiency of energy and other resource utilization, intensity of waste generation and intensity of emission and toxics released during business operation. In social dimension are commitment of leadership and employees, engagement of key stakeholders in implementing sustainability initiatives, incorporation of sustainability initiatives into overall business strategy, job creation and training programs, and preparing sustainability report. Similarly, in economic dimension, some of the major indicators are financial performance, spending for societal development programs, market expansion, and investment potential of the firm to implement sustainability initiatives.

The second question to be considered is *-How does KV integrate sustainability principles into its business operations?* The findings in this study indicate that KV integrates sustainability principles into its business operations through: incorporating sustainability issues into its mission, values and strategic development plans; providing environmental friendly quality food products with reasonably less price; introducing strong commitment of leadership towards sustainability issues; increasing awareness of employees, shareholders, stakeholders, and customers about sustainability issues; and maintain financial profit for shareholders and contributing for regional economic and societal development.

Investigating the progress of KV in implementing its sustainable business development strategy using sustainability indicators was one of specific objectives of the current study. Accordingly, the investigation was carried out considering the three dimensions of sustainability issues. Table 5 presents the summary of in depth analysis, based on TBL, using the detailed sustainability indicators.

Table 5 TBL based assessment of KV's progress in implementing sustainable business development practices.

Sustainability dimension	Important sustainability indicators identified for KV
Environmental Sustainability	-KV has set a goal to reduce CO2 emission from its activities by 40% in 2020 when compared to 2008 reference value.
	-KV assigned more expenditure on reducing energy consumption
	-Leakage from refrigerator plants in stores was reduced in 2011
	-KV is KRAV certified
	-KV has installed in new shops coolers and freezers which run in environmental friendly manner
	- KV promotes the supply of quality and fresh products
	-KV promotes local and environmental friendly products in Värmland area
	-KV promotes the concept of waste minimization at all levels starting from the production level.
	-sourcing products from local/regional producers increased by 3.3% in 2011.
	-food animals are sourced from farms where animal welfare policy is respected
Social Sustainability	-The concepts of sustainability have been incorporated in the values and mission statement of KV
	-top management has commitment to implement sustainability programs
	-The 66% of employee, 46% of the management, 33% of board members and 44% of supervisory board (Förvaltningsråd ) are women
	-Consumers has branded KV as most sustainable food retail company in 2011
	-KV educates its employees and customers about sustainability issues
	-KV follows fair-trade business concepts and currently
	-KV is a member of KF which produces sustainability report
	-KV promotes the suppliers commitment towards environmental and social practices
	-Number of KV members is increasing
	-KV works towards members benefits by providing products with good quality and relatively less price
	-KV arranges members meetings and customers panel and gather opinions and questions and uses effectively for sustainable business development
	-KV works towards improving animal welfare through providing quality fodder, good handling and shorter animal transport
	-KV strengthens stakeholders network that encourages the local farmers to increase the quality and quantity of local food products
	-KV actively participates in societal development through providing funds for different environmental and societal developmental projects.
-KV reduced the absence due to sickness from 9% (in 2003) to 5% (in 2009)	
Economic Sustainability	-The revenue (sales) of KV is increasing. It increased by 30% from 2004 to 2008.
	-The market coverage of KV in the region increased from 39% in 1991 to 54.6% in 2008.
	-KV invested about half a billion SEK during 2004-2008. It invested 121Mkr in 2011 which is about 4 times what it invested in 2010. It continues to invest more and be competent in the market
	-Promotes local and regional economic growth
	-KV has been competitive in market for over 100 years
	-KV promotes the concept of co-ordination in transporting food products, animals and feeder to reduce transport cost and environmental impact
	-KV promotes quality product with fair price

The findings in this study indicate that there are strong efforts towards implementing sustainable development initiatives at both KF and KV levels (see section 4). The KF works towards sustainable development from the beginning. In 1899, its aim was to help organizations (member organizations) to sell pure and unadulterated/unmodified goods at good prices. It has increased its effort and in 2009, this was stated (www,KF, 2010) as “KF adopts policy on sustainable development, with operational objectives, among others, mitigating climate change”. Positive results have been obtained from the efforts of implementing sustainable development plans. Some of the major successes of year 2010 were: the climate impact from its own operations fell by 44%; 75% of employees were satisfied with their work situation and with the company’s sustainability efforts; the supply of organic and eco-labeled food items increased by 10%; and 23.6 MSEK was collected to support the poverty reduction activities of two organizations, ‘Kooperation Utan Gränser’ and ‘Vi-skogen’. Since KV is the member of KF, such achievements are also the achievements of KV. However the degree of KV’s achievement may differ from that of KF if investigated at the KV company level.

KF’s sustainability work is guided by a policy of sustainable development. Prioritized areas for KF are climate change, employee, community relations, and increasing supply of environmentally friendly produce. Each subsidiary and member company has a responsibility to live up to the sustainability policy and goals of KF. As a member of KF, KV has direct responsibility to implement the sustainable development programs set by KF.

## 6.2 ENVIRONMENTAL ASPECT OF KV’S SUSTAINABILITY

The finding of this study confirmed that KV has been implementing the sustainable development practices. The focus has been given for addressing environmental issues. It is already a KRAV certified firm. It is working towards more and more detailed activities to save energy and to reduce burden on local environment. KV promotes environmental friendly food products. KV understands well the value of local and regional food and it will increase its supply of locally produced quality items, since there is high positive reaction from consumers. This strong stand of KV increases its commitment for implementing environmental development programs.

The values of KV are communicated to its stakeholders and customers in the region via its unique brands (see Figure 4). The values reflect positive ethical, environmental, social and economical responsibility issues boosting its positive image. This strategy of value addition to goods and services has enabled KV to satisfy its stakeholders, be competent in the market, and



strengthen the sustainability of KV's business development. Its brand names promote local products which are easily traceable, require short transport distance and time, and can generate values that attract the customers.

KV has as strategic mission to supply locally produced and environmentally friendly produce with good quality. Most of farms supplying food produces and animals are within about 75-100 km radius from the Karlstad city where KV is found. KV is a KRAV certified retail business indicating that the products are produced using less energy, less fertilizers, less pesticides and less herbicides. That means, unlike mechanized agricultural systems, KRAV promotes organic products that gives better health for both humans and animals. Large scale and Mechanized agriculture, which uses mechanization and chemical inputs, has managed to increase the total yield in a production of crops and dairy output (pretty, 1998; Trobe & Acott, 2000). However, this type of agriculture systems have adverse environmental consequences in terms of contamination, reduction in soil fertility and increasing dependency on chemical inputs and pesticides (Ong,1997; Reganold et al., 1992; Briggs and Courtney 1989; Quandt et al., 1998), and social impacts by reducing job opportunity in farming activities due to increased mechanization (Trobe & Acott, 2000).

### 6.3 SOCIAL ASPECT OF KV'S SUSTAINABILITY

In order to achieve sustainability goals, a company should have critical success factors such as visionary leadership, flexibility to changes and openness to key stakeholders (Szekely and Knirsch, 2005). Most renowned companies have been successful from incorporating stakeholder perspective to their management and all managers in these companies have shown strong character to care about stockholders, vendors, clients and employees who have an interest in their company operation (Kotter and Heskett, 1992). Zetterberg (2007) conducted a value-based assessment of KV and mentioned that KV has established values-based thinking and the strong values created by KV can drive value for sustainable business. The current study also confirmed the findings of Zetterberg (2007). In case of KV, as indicated in Table 5, the leadership is visionary and has commitment to plan and implement sustainable business development practices. KV has established good management system and incorporated sustainability goals in its mission statement. It introduced incentive and possible low price products to employees, stakeholders and customers. The KV management has implemented training programs on sustainability issues. Its fair gender distribution also has positive contribution in addressing

social issues. For example in 2011, 66% of its employee, 46% of management, 33% of board members and 44% of supervisory board (Förvaltningsråd) were women.

In order to maintain their market share and remain competitive in the global market, companies must improve the ethical standards and images of their companies, improve the safety concern of personnel, avoid legal claims, respond and cooperate with government regulators (Schot and Fischer, 1993). KV also works to improve health condition of its workers. For example it reduced the absence due to sickness from 9% in 2003 to 5% in 2009. “If our workers are healthy, our organization and its owners will do well” Jan-Eric Agnemyr, head of human resource.

KV participates actively in developmental activities especially by establishing funds and financing projects planned for societal developments of the Värmland region. Such projects focus on increasing the awareness of children and youth about sustainable development.

KV provides fair-trade labeled products to its customers. Fair-trade is an alternative approach to conventional trade and is based on partnership between producers and consumers. This allows producers the opportunity to improve their lives and plan for their future. Many farmers in developing world are struggling to get a fair price and market for their products. Fair trade works to improve the economic condition, to fight child labor and discrimination and promote ecological and environmental production (www, Fair trade, 1, 2012). The aforementioned activities of KV confirm that the cooperative has actively engaged in implementing social sustainability practices.

#### 6.4 ECONOMIC ASPECT OF KV’S SUSTAINABILITY

Even though, conventionally it is believed that the primary responsibility of business firms has been to take care of shareholders interest and to maximize wealth, the core values of a business company are not solely to make profit. The concept of economic dimension of sustainability considers the economic impact of an organization on stakeholders and the society and the flow of resources among stakeholders. The economic growth of business firms should occur without causing social and environmental damages. The finding in the current study indicates that KV is performing well. KV association has 145 000 members (one membership/household), which cover over 90% of the Värmland’s population (Olsson, 2011). It has achieved profits for all of its members and at the same time it practically has been supporting financially different projects working on sustainable development programs of the Värmland region. KV recognizes that

sustainable business development demands to fulfill the short and long term interest of different stakeholders and over emphasizing on short term profit is against this spirit of sustainability.

## 6.5 MOTIVES AND CHALLENGES OF IMPLEMENTING SUSTAINABLE BUSINESS DEVELOPMENT INITIATIVES

In this study, the third major question intended to be answered was *-What are the perceived motives and challenges to incorporate sustainability issues in Konsum Värmland business operation?* As indicated in section 5, there are drives and barriers in implementing sustainability initiatives. The main motivations identified for KV to embrace sustainability initiatives are: managerial commitment, organizational core values, members' willingness to preserve the culture and values of the cooperative and the consumers' awareness about the future trends. Environmental and social concerns are at the heart of KV's operations. KV recognizes that its investment on environmental dimension has huge pay offs in the long term. The role of competitors and the cooperation NGOs in the social and environmental work have also contributed to motivation of KV towards addressing sustainability issues.

In this study, the major challenges identified are: the increase in product price as quality of produce and sustainability of production systems increases; increase in logistics cost and emission during long winter time with much snow; the supply of local product varies seasonally so that it is difficult to meet customers demand during shortage of supply; large scale investment in sustainability initiatives are costly.

Usually, actions to lower the environmental impacts of retail activities require large scale and long term investments. For example, replacing old refrigerators and freezers in stores and installing new infrastructures in new stores are costly investment in short term, but have considerable positive impact in long term. Such costly infrastructures and production of green products increases the cost of food items. On the other hand consumers support such environmentally friendly products but need to obtain products at reasonably low costs. Higher price negatively influences consumer decision-making and reduces potential sales of green products. This study revealed that Small volumes and higher production costs are two main factors that force COOP stores to increase prices of eco-products than ordinary products.

In some cases food retailers express that too few smart regulations and/or few good incentives are not satisfactory in retailers' business environment. The failure to create global market

mechanisms for externalities such as carbon emissions (i.e. to set a price on carbon emissions), is a huge barrier to introduce more environmentally friendly production and distribution systems. The lack of Environmental Tax Reform or any other mechanism to incorporate environmental externalities into product costs must be seen by retailers as a significant regulatory barrier.

Other internal barriers can be lack of training and lack of information in the local organization, regarding social and environmental aspects, in the whole supply chain. Organizations may have advanced systems for dealing with environmental and social issues within the organisation, but have very little understanding of what issues can arise upstream in the supply chain. Lack of integration of activities regarding environmental issues among suppliers and partners is considered as significant barrier. It is noticed that further integration of environmental issues into general business relations is required in COOP retailers in Sweden.

## 7 CONCLUSION AND RECOMMENDATION

Contemporary food retailers are increasingly interested in integrating sustainability principles into their business development plans due to the pressure from media and the increasing sustainability awareness of stakeholders and consumers. This study was initiated with the aim to assess the sustainable business management of a food retail business firm known as Konsum Värmland (KV) and operating in Sweden. The necessary data and information on history and status of KV, values and strategy of KV towards sustainable business development, practical activities of KV that indicates the implementation of sustainable development programs and the motivation and challenges encountered KV during the implementation were gathered and analyzed. The implementation of sustainability initiatives was analyzed mainly based on triple bottom line sustainability theory using identified sustainability indicators in environmental, social and economical dimensions.

The findings indicate that KV is a KRAV certified food retail firm which currently owned by 145,000 members and running food retail services successfully for over a century. It incorporated the sustainability issues into its mission and values. It practically has been implementing sustainability programs in all the three dimensions i.e. environmental, social and economic dimensions of sustainable development. It provides environmentally friendly and quality food products at reasonably less prices. It sources its food items from providers of fair-trade products and from suppliers known by their local brand names such as **Värmlandsgrisen** (supplying pigs), **Värmlandslammet** (supplying lambs), **Värmlandskött** (supplying cattle), **Nästgård** (supplying local products) and **Svenska favorite** (supplying meatballs). KV perceives that integrating sustainability principles into its business operation satisfies the long term interest of its shareholders and stakeholders. This enables KV to be better positioned in its long-term market growth, profitability, legitimacy to operate and enhance its brand image in Värmland region of Sweden.

The major drives for incorporating sustainability initiatives in KV's business operations are leadership and employees' commitment, organizational core values, members' willingness to preserve the culture and values of the cooperative and the consumers' awareness about the future trends. On the other hand the major challenges to such sustainability initiatives are the increase in product price due to quality of produce and sustainability of its production systems; increase in logistics cost and emission especially during long winter time with much snow; the

seasonality of local product so that it is difficult to meet customers demand during shortage of supply; high cost of large scale investment in order to address the sustainability issues.

The limitation of this study is that the sustainability indicators were not well quantified mainly due to lack of detailed information and data at KV firm level. Especially, the data on emission, waste generation, and efficiency of utilization of resources such as energy, water, paper, vehicles and others were not addressed in detail. The investigation of these issues is open for further detailed study. Further study is also recommendable to reduce the major challenges (those identified in this study and other potential barriers) by designing and implementing more effective approaches of addressing sustainability issues in KV and other food retail business firms.

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## **Personal messages**

Klas Olsson  
Information chef, konsum Värmlands  
Telephone interview ,05062012.

Anna-Lena Dahlberg,  
Environmental head at Coop  
At Coop central, 27602012.



## Appendix A

Company	Description	2011		2010		Reference
		MSEK	% Net sales	MSEK	%	
KV	<b>Net sales</b>	<b>3532</b>		<b>3649</b>		KV, 2011
	Gross profit	744	21.1	812	22.3	
	Retail operating expenses	790	22.4	804	22.0	
	Selling expense	776.6	22.0	795.2	21.8	
	Administration cost	13.02	0.4	9.17	0.3	
	Other operating costs	-		-		
	Profit after tax	8.4	0.2	40.4	1.1	
ICA	<b>Net sales</b>	<b>95179</b>		<b>93860</b>		ICA, 2011a (group account )
	Gross profit	13477	14.2	13473	14.4	
	Selling expense	8435	8.9	7953	8.5	
	Administration cost	2809	3.0	2819	3.0	
	Other operating costs					
	Profit after tax	1395	1.5	547	0.6	
AXFOOD	<b>Net sales</b>	<b>34795</b>		<b>34260</b>		AXFOOD, 2011, Annual report
	Gross profit	4918	14.1	4673	13.6	
	Selling expenses	2177	6.3	2121	6.2	
	Administration cost	1736	5.0	1564	4.6	
	Other costs	-		-		
	Profit after tax	895	2.6	862	2.5	
Ahold	<b>Net sales</b>	<b>30271</b>		<b>29530</b>		Ahold annual report
	Gross profit	7921	26.2	7920	26.8	
	Retail operating expenses	6466	21.4	6471	21.9	
	Profit after tax	1017	3.4	853	2.9	

# Appendix B

## Interview questions

### 1. General

- (I) How do you express the trend of Konsum Värmland:
  - (a) in terms of market area : Expanding? Decreasing? Remains constant?
  - (b) in terms of membership: Expanding? Decreasing? Remains constant?
  - (c) in terms of financial growth: Expanding? Decreasing? Remains constant?
- (II) Do you produce separate yearly sustainability report?
- (III) What are the main problems currently facing Konsum Värmland?

### 2. Specific questionnaire

#### 2.1. Environmental sustainability

- (I) How konsum varmlands handles environmental issues in relation to:
  - Emission reduction and leakage reduction
  - Efficient resource utilization (vehicles, packaging materials, energy utilization etc)
  - Promoting local and environmentally friendly food production
- (II) Do you have yearly total CO<sub>2</sub> emission of years 2011 (in any unit convenient for you) of Konsum Värmlands by source? Can you also provide for years 2009 and 2010?
  - From Freight (Godstransporter)
  - From Refrigerants (Kölmedia)
  - From Electricity consumption (Elförbrukning)
  - From Business travel (Tjänsteresor)
  - From Energy consumption (Energiförbrukning)
  - Other
- (III) Do you have data on efficiency of electricity consumption KWH per sqm of sales area ( Elförbrukning per m<sup>2</sup> säljyta, kwh) for the last 3 years ?
- (IV) Do you have any environmental certificate whether it is national, regional or international environmental certification?
- (V) Do you have environmental performance certificates such as KRAV and MSC (marian stewardship council)? If yes for what percent of products? KRAV----%,
- (VI) Do Konsum Värmland use its environmental management activities as a competitive advantage to excel competitors in the market?
- (VII) Which of the following factors do you use for integrating environmental concerns in your business practices?
  - Employee commitment
  - Top management support
  - Company goals, roles and responsibility
  - Environmental policy
  - Other factors (mention if there is any factor unique to Konsum Värmland)

#### 2.2. Social Sustainability

- (I) How the organization secure healthy, safe and creative environment for its employees?
- (II) Do you cooperate with other company, NGO, governmental and other stakeholders on social issues such as: (a) promoting fair trade? (b) community based development (c) labor issues
- (III) How do you express stakeholders' satisfaction?

- (a) consumer satisfaction : low -----high----- very high-----
- (b) members (share holders) satisfaction: low----- high----- very high-----
- (c) employees satisfaction: low----- high-----very high-----
- (d) food producers (suppliers) satisfaction: low----- high----- very high-----
- (e) community/government authority satisfaction: low-----high-----very high-----
- (IV) How you communicate with stakeholders? Telephone, email, web-site /internet, meetings, conferences, video conferences? All? Is there any communication problem you want to mention?
- (V) How do you deal with food traceability issues?
- (VI) Who are your main suppliers of food items? Have you any special scheme to support local farmers?

### **2.3. Economic sustainability**

- (I) How you distribute the economic value (profit) generated from your activities to the members (providers of capital), employee compensation donation and investments to the community if you have any?
- (II) Do you expect any financial risk or opportunities from climate change?
- (III) Can you provide the share of different operational costs of your company in Kronor or as percentage of yearly turnover?
  - Management cost -----SKR or -----% of turnover
  - Distribution/transport cost-----SKR or-----% of turnover
  - Others (mention all others)