

The leading concept of sustainable developments commerce essay



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Sustainable Development has become the leading concept of the 21st century. It describes a development, which agrees with the needs of the present generation but does not endanger the chances of the coming generations to satisfy also their needs. In the present situation Sustainable Development has become an important general goal for all fields of life, like economy, ecology and social balance (WCED 1987). The concern for a business stretches beyond just making a profit; it also includes striving for social and environmental well-being. Sustainability is a continuous and never ending process, and it is also a political agenda in many countries (SOURCE). According to the Division for Sustainable Development of UN Department of economic and social affairs, sustainability work means:

“ To improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues”. (UN Department of economic and social affairs 2004)

Sustainability creates value (Pruzan 1998; Elkington 2001), and also makes it usable for the stakeholder through quality improvement practices (Poksinska et al. 2003; Waddock & Bodwell 2004). Today the companies try their best to achieve sustainability and therefore make different types of strategies in order to enable this work (SOURCE???)

H&M is a Swedish clothing company, known for its fashion clothing offerings for women, men, teenagers and children (H&M 2010a). It was established in 1947 by Mr. Erling Persson in the city of Västerås, and the company has almost 2, 000 stores in 38 countries. The majority of the H&M clothing is

manufactured in Asia and Europe and the company has about 76, 000 employees. Along with clothing, H&M also sells cosmetics, shoes and accessories and since 2004 it has had collaborations with different well-known fashion designers, such as Karl Lagerfeld, Roberto Cavalli, Jimmy Choo and Lanvin. H&M describes its mission as “ to bring fashion and quality at best price” (H&M 2010a).

1. 2 Purpose

The purpose of this report is to look deeply into the concept of Sustainable Development and to find out how H&M works towards this concept. With this study we want to describe the company’s actions and explain how its work and actions can be linked to theories about sustainability.

1. 3 Research question

How does H&M work with sustainable development and can the sustainability strategy be linked to the Sustainable Development triangle?

1. 4 Method

The study is based on a qualitative method of research and information about the subject was accumulated through studying various theories about sustainability to get a reference frame for our research on Sustainable Development at H&M. Literature was reviewed to a large extent from published articles, books and online resources. In addition, information about H&M’s work on Sustainable Development was gathered from its sustainability report for year 2009. To further support our findings and to give us more detailed information on specific questions, we also performed a semi structured telephonic interview with the Head of CSR Mr. Henrik Lampa

at the H&M head quarters in Stockholm, Sweden. The interview included a mixture of both open and close ended questions (see Appendix 1), which had been raised during our study of the home page, sustainability report and related articles. After gathering all relevant information, with our purpose and research question in mind, about H&M's sustainability work, we analyzed it by comparing it to our theoretical framework including the Sustainable Development triangle and we come up with some substance conclusions and even some areas of improvements.

2. Theoretical Framework

2.1 The meaning of Sustainable Development

Economic theory is based on the concept that the resources are scarce on our planet and this concept draws the focus of human beings towards the minimum and efficient utilization of economic resources. At the same time society demands a healthier environment and encourages corporations to run their businesses on sustainable grounds. Sustainable Development (SD) is a concept which is supported by everyone but no one really knows what it means (Sir Jonathon Porritt, Financial Times 1998). There have been a lot of debates over the definition of Sustainable Development but the most commonly used definition, which was defined in 1987 by the World Commission on Environment and development (WCED), is:

“ Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987: 43).

2. 2 Triangle of Sustainable Development and TBL thinking

People who have possessed the idea of sustainable development suggest that meeting the needs of the future depends on how well we balance three main factors; Social, Economic and Environmental factors, which are shown in the following triangle.

(Sustainable Development triangle: - Adapted from Munasinghe 1992a 1994a)

There is a balance required between these three factors and if this balance is retained it would lead to a sustainable environment for the future generations (SOURCE).

The Triple Bottom Line (TBL) means meeting the financial, ecological and social needs of the present while maintain the ability of future generations to meet their own needs (SOURCE? Roome??). TBL is a tool for sustainability which is defined by Roome (1998), and Johnson (2007) has the view that that the sustainability issue can be handled through this concept.

The concept of Triple bottom line (TBL) balances the three factors and is also an important tool for better communication between stakeholder and customer. SOURCES for text and figure

2. 3 Corporate Social Responsibility

Corporate Social Responsibility (CSR) and sustainability are being used interchangeably as there is no universal definition of Sustainable

Development available (Lazlo 2003). Basically CSR means viewing business from the stakeholder perspective incorporating the community, consumers,

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lenders, government etc. The concept of CSR refers to a company's commitment to its social and environmental obligations (Sebhatu 2010). Corporate Social Responsibility is a high priority for today's business organizations because it helps businesses to build up credibility and trust, which is the key to recruit and retain the best and brightest staff. Generally CSR means that companies manage their business activities in a way which is better for social being, ecology and economic prosperity. This is an important idea for today's business organizations if they want a safe sustainable future, growth, and profitability and therefore CSR is a significant driving force in many businesses. The concept is widely spread today and in this globalized world it is not only a discussion topic for business people, but also for traders, unionists, consumers, NGO's and researchers and therefore it is not a threat but a challenge for business. (SOURCE???)

3. Empiricism

3. 1 Sustainable Development at H&M – vision, policy and strategy

H&M has a sustainability vision, policy and strategy (H&M 2010c). According to the company's vision the activities of the business should be organized and performed in a sustainable way for present and future generations in regards to the economy, society and environment. The policy describes the environmentally and socially sustainable product manufacturing, the company's work on continuous improvement, the responsibilities regarding social and environmental standards in the factories, and the work in preventing violations of human rights regarding employees, partners and customers. H&M strives to minimize the waste by having an efficient use of

resources, and this includes improving methods, technologies and production processes as well as reviewing choices of materials. In the policy it is also stated that H&M have a stakeholder dialogue to increase trust for the company's activities and operations and to enable long-term success (H&M 2010c).

In 2008 the company developed a new strategy for sustainability. This was launched in the beginning of 2009 and aims to make sustainability an integrated and natural part in all of the company's activities and departments. For H&M the concept of sustainability includes three areas: People, Planet and Profit and the company means that the areas have a deep connection to each other and they can therefore not be treated separately. There must be a careful balance between these focus areas to ensure that the company's choices will be sustainable in the long run. The company has also defined long-term goals in its strategy to enable the achievement of the vision and the implementation of the policy (H&M 2010c).

3. 2 H&M Sustainability report – Style & Substance

In the sustainability work H&M wants to consider the products' whole life cycle; from raw material (e. g. when a cotton seed is planted) and fabric production, all the way to the usage, disposal and recycling of the product (H&M 2010f).

H&M annually presents a sustainability report which covers the company's global operations and the presented information follows the GRI[1] Sustainability Reporting Guidelines. In the 2009 report the topics covered was: supply chain, environment, products, employees and

communities (H&M 2010f). In the following text we will give examples of how the company has worked with some of these different issues in regards to sustainability and H&M's focus areas; People, Planet and Profit.

3. 2. 1 People

H&M does not own or operate any factories; instead around 700 suppliers in over 30 countries (mainly Asia and Europe) manufacture the products. There are about 1, 900 factories involved and the company tries influence the suppliers to have good practices and to improve environmental and working conditions (H&M 2010f). The requirements for the suppliers are described in the H&M Code of Conduct, which includes areas such as working environment (lighting, ventilation, fire safety etc.), working hours, salaries and a ban on child labor. H&M conducts regular audits of the factories to check the levels of compliance (H&M 2010b). In 2008 H&M became a credited member of the FLA[2], which is a multi-stakeholder organization that works with improving labor conditions in factories all over the world by doing independent audits of the factories (H&M 2010f). The company is also a member of BSR[3]which strives to achieve long-term relationships with the suppliers. There is also a Code of Ethics for the employees, which amongst other things includes guidelines and regulations to prevent bribery and corruption (H&M 2010b).

H&M wants to increase the factory employees' awareness of their rights and an example of this is that the company used short films to educate the employees about these issues in Bangladesh. In 2009 over 150, 000 people got this training (H&M 2010f). To support the communities the company makes contributions and investments and in 2009 this amounted to more <https://assignbuster.com/the-leading-concept-of-sustainable-developments-commerce-essay/>

than SEK 34, 1 m (USD 4. 7 m). To improve the situation for the children in areas in India where cotton is produced, H&M works with UNICEF in the project “ All for children” (H&M 2010f).

3. 2. 2 Planet

For H&M quality includes that the products should be produced in a way that is both environmentally and socially sustainable (H&M 2010b). The Code of Conduct also states environmental requirements and the suppliers are encouraged to take more responsibility for the environment than demanded by local legislations. The environmental work contains for example of the managing of chemicals, waste and water purification and H&M tries to reduce the consumption and increase the recycling of packaging, coat-hangers, interior decorating materials etc. The stores also have to take this into consideration when choosing systems for lighting, heating and cooling (H&M 2010b).

The processes involving bleaching, dyeing and washing of fabrics consumes a lot of energy and H&M therefore tries to influence the fabric producers and make demands on their usage of energy, water and chemicals (H&M 2010b). H&M, in cooperation with suppliers and other partners, managed to use up to 30 % less water in denim production during 2009 (H&M 2010f). The company also supports the international relief organization Water Aid’s water and sanity project in Asia (H&M 2010b).

A large focus area for H&M is the usage of organic cotton. The company wants to promote the organic cotton, which is produced without chemical pesticides and synthetic fertilizers, and contribute to an increased market

demand (H&M 2010f). H&M states that it is the fifth largest user of organic cotton in the world and in 2009 this amounted to about 8, 000 t (8, 000, 000 kilos) (Dyberg 2010). The company has made a decision that by the year 2020 all cotton that is being used in the clothes chain's garments should have been produced in a more long-term sustainable way. To reach this goal H&M cooperates with the BCI[4], which is an organization that works with making the cotton production sustainable in the long-run. This project includes educating the cotton farmers in how they can contribute to the environment and cut production costs by using less water, herbicides and pesticides. Along with IKEA, Marks & Spencer and Levi's, H&M is the first company to invest in BCI by paying for the education of 10, 000 cotton farmers in Pakistan, India, Brazil and West Africa and then buying the harvest from their farming (Dyberg 2010).

Since 2005 H&M has sold basic clothing for babies marked with the EU environmental label called the " Flower" (H&M 2010b). This label stands for limited use of hazardous substances and reduced water pollution throughout the production chain. Furthermore, H&M says no to animal cruelty, does not use real fur and do not allow cosmetics to be tested on animals. To reduce the negative effects on the environment due to transports the company hires environmentally conscious transport firms which are regularly evaluated. H&M states that it also tries to combine air cargo with train transports as well as increase the usage of renewable fuel (H&M 2010b).

3. 2. 3 Profit

For H&M profit is not perceived as a separate organizational goal but it is

carried out along with the Planet and People philosophy. At H&M the
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sustainability strategy has been developed to ensure profit along with developing planet and its people. In 2009 H&M decided to increase the number of stores by 10-15 % per year and only in the previous year the company has opened 250 new stores all over the world and has entered many new markets such as Russia, Lebanon, China and several others. At the same time H&M's sales in year 2009 including VAT amounted to SEK 119 billion and the profit for the year was SEK 16. 4 billion. Looking over the last five years (2004-2009) of H&M's income statement, sales including VAT increased by 88 % and profit increased by 125 %. SOURCE

Looking over the last five years' operating profit it can easily be seen that H&M is experiencing profitability growth along with a stagnant profit margin which reflects H&M's strategy of sustainability to care for people. SOURCE

Keeping in mind profitability growth, H&M tries to reduce its environmental impact. It has been achieved by deploying responsibilities at departmental level and by integrating the three P's goals of People, Planet and Profit. Social and environmental concerns are taken into consideration in every business operation that is being planned at H&M along with the goal to increase profitability. SOURCE

3. 3 Full Audit Program (FAP)

To inspect compliance with the code of conduct in different factories across the world H&M has a process called Full Audit Programme (FAP) that is intended to find out flaws and inaccuracies within factories. Factories are audited on different criteria's given in the code of conduct of H&M and the local laws of the countries where factories are placed. H&M's compliance on

sustainability can easily figured out in its code of conduct e. g. safe chemical handling in factories, secure treatment of outgoing waste water, control over the child labor etc. Despite the close monitoring and strong code of conduct by H&M we see a high percentage of non-compliance of factories to the major environmental issues. However by a comparison of 2008 and 2009 one can easily figure out that H&M has focused on improving the compliance level over the years. H&M sees some more progress for most requirements in both the South Asia and EMEA[5]regions, particularly regarding environmental requirements.

3. 4. Interview summary

This part includes a short summary of the comments from a telephone interview with the Head of CSR[6]Mr. Henrik Lampa at the H&M central office in Stockholm, performed on the 17th of November 2010.

According to Mr Lampa H&M are very committed to the work regarding Sustainable Development. The company presents a thorough and detailed sustainability report including the different focus areas and actions taken by the company. The new sustainability strategy, which was launched in 2009 takes time to implement and the company constantly puts efforts in to make it work. The new strategy means for example that the different suppliers and producers have to take greater responsibilities on their own to achieve a sustainable development in all areas, under the guidance and supervision of H&M.

We asked Mr. Lampa if he had experienced an increasing demand from the public that H&M should specify its sustainability work in a report, and the

answer was quick and short – NO! Instead, the ones who have an interest in this kind of a report are specific stakeholders such as suppliers, business partners and competitors as well as students who are writing school assignments.

H&M tries to find a balance between how much money and efforts that are put in the three different focus areas; People, Planet and Profit. Mr. Lampa would not comment at all on how much money the company invests in the various areas, or on the question regarding if any area was considered more important than the others. According to him they are all equally important and treated in similar ways.

Mr. Lampa also commented on if H&M could see any economical results of the sustainability work. As with any investments, there is an initial cost for development, implementation, education, trials and so on. In such cases the economic profit will be generated in the future and all the advantages can be seen in the long-run. Some actions can though generate an immediate effect and mean less expenditures, such as saving energy. The main goal for H&M is however, as Mr. Lampa pointed out, to make investments that will mean a more effective usage of resources. This can lead to improved working conditions for employees and can also allow H&M to provide products that are as good as possible for the customers.

End of interview summary.

4. Analysis and conclusions

The sustainability report of H&M clearly indicates that its operations are

based on the concept of Sustainable Development. The sustainability
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strategy of H&M including the three P's (i. e. People, Planet and Profit) evidently portrays the company's TBL thinking over social, environmental and economical aspects respectively. It is much obvious that from the Sustainable Development triangle presented above organizations cannot move towards sustainability until they incorporate all three factors. Most people perceive Sustainable Development to be a better care for the environment but this is not the full picture and H&M believes in an integration of all three factors of the Triple Bottom Line and Sustainable Development triangle. The Full Audit Program (FAP) of work on sustainability revealed much unexpected results and we have observed that H&M also has some control issues with their suppliers. For instance, in EMEA[7]regions 49 % of all the suppliers were found not to have a full compliance with H&M's standards for the environment and suppliers in China did not show significant transparency. The progress towards safe handling of chemicals is also slow which might pose a threat to the balance between all three factors in the Sustainable Development triangle. To reach Sustainable Development there need to be a balance between and attention given to all of the three factors and none of them can be excluded. According to Mr. Lampa[8], all of the three factors are equally important and treated in similar ways. This correlates well with the descriptions of sustainability, the Sustainable Development triangle and TBL thinking. The figure below was created by us to show the close resemblance between H&M's definition of Sustainable Development and the previously shown Sustainable Development triangle.

Sustainable Development at H&M People

Planet Profit

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When we analyzed H&M's sustainability report we came to the conclusion that all decisions made and actions taken by the company seem to have been carefully considered to provide a balance between the three focus areas; People, Planet and Profit. In almost all cases we could see a connection to all three of them. For example:

The usage of less water in denim production;

People: More fresh water left for personal consumption.

Planet: Less usage of environmental resources.

Profit: Cost reductions for the producers, higher profit for H&M and lower prices for customers.

Providing producers with education through the Better Cotton Initiative;

People: Free education and increased knowledge.

Planet: The producers learn how to preserve the environment.

Profit: Knowledge will result in a more effective production, and the usage of fewer chemicals can cut costs.

Corporate Social Responsibility (CSR) is one of the important strategic issues and it is closely linked to Sustainable Development and TBL. This connection can be seen in the H&M sustainability strategy as well as in the way the company treats CSR and Sustainable Development. At H&M there is one single department for all these issues, called CSR, which shows us that CSR and sustainability is incorporated collectively. Besides the CSR policy,

engaging and communicating with the stakeholders is important to H&M and the company therefore regularly work with other people and organizations in order to share knowledge with them. Sustainable Development is a continuous process and stakeholder dialogue is important because it facilitate improvement over time.

In the sustainability report H&M declares that it does not currently assure the report but that the company is committed to open and honest disclosure. H&M's believes that its involvement in various associations and organizations, such as the Fair Labor Association, will add credibility and value to the company's sustainability work and reporting (H&M1). Although a sustainability report is of great use and importance to some stakeholders, the trustworthiness of this kind of a report must be considered and questioned, especially since it is not assured. Everything cannot be shown in the report and there will always be situations and actions taken by the company which can be questioned in different stakeholders' perspectives. H&M has in the past been criticized for having contracts with factories with child labor and today (2010) there are ongoing debates where the media claims that there are samples taken from the company's organic cotton showing that it contains a mixture of organic cotton and genetically manipulated (GM) cotton. This shows that the company, in spite of being committed to the BCI[9], still has difficulties tracking and controlling the origin of the cotton due to the many steps and parties involved in the supply chain. These concerns may make the sustainability report more suspicious and questionable for stakeholders.

All the time we hear that the public demands that companies should have a sustainability report, but according to H&M this is not the case. Perhaps the general public is in need of assurance of that companies take their responsibilities for the society and environment, but is not interested in the specific details provided by a report. The consumer might be satisfied with certain labels on the products and garments, such as the “ Flower” or “ Organic Cotton”, which make him or her feel like a more responsible consumer.

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Munasinghe 1992a 1994a Sustainable Development triangle ??????????

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