INTEGRATION OF CORPORATE SOCIAL RESPONSIBILITY IN SUPPLY CHAIN MANAGEMENT OF CLOTHING INDUSTRY IN NORDIC COMPANIES: CASE FILIPPA K, SAMSØE SAMSØE & MARIMEKKO

Lappeenranta–Lahti University of Technology LUT

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Examiner: Junior researcher, Evgeniya Tsytsyna

ABSTRACT

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Integration of corporate social responsibility in supply chain management of clothing industry in Nordic companies: Case Filippa K, Samsøe Samsøe & Marimekko

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Keywords: corporate social responsibility, supply chain management, CSR in clothing industry

This bachelor's thesis examines the integration of corporate responsibility in supply chain management in Nordic clothing companies. Three case companies have been selected for the thesis: Filippa K from Sweden, Samsøe Samsøe from Denmark and Marimekko from Finland.

The purpose of this thesis is to examine how clothing industry companies adapt to the prevailing climate change and how responsibility is reflected in this industry. The study also looks at how companies could improve their CSR practices in the future.

This study has been conducted as a case study, using a qualitative research method. The material used is the annual CSR / responsibility reports of case companies from 2020.

The results of the study show that there are clear differences in corporate responsibility reporting between companies. All companies have adapted to the prevailing climate change in different ways. The same themes continued thorough the reports, there is a desire to use more sustainable materials in the production phase, reduce logistics emissions by optimizing transport routes and use water and energy more economically. There are some CSR actions that the case companies could improve in their supply chains, such as reducing the plastic usage and monitoring the suppliers more efficiently.

TIIVISTELMÄ

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Yritysvastuun integroituminen toimitusketjun hallintaan pohjoismaisissa vaateteollisuusyrityksissä: Case Filippa K, Samsøe Samsøe & Marimekko

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Tämä kandidaatintyö tutkii yritysvastuun integroitumista toimitusketjun hallintaan pohjoismaisissa vaateteollisuusyrityksissä. Tutkielmaan on valittu kolme case-yritystä: ruotsalainen Filippa K, tanskalainen Samsøe Samsøe sekä suomalainen Marimekko.

Työn tarkoituksena on tutkia, kuinka vaateteollisuusyritykset adaptoituvat vallitsevaan ilmastonmuutokseen ja kuinka vastuullisuus näkyy tällä teollisuuden alalla. Tutkimuksessa keksitään myös siihen, miten yritykset voisivat parantaa CSR-käytäntöjään tulevaisuudessa.

Tämä tutkielma on toteutettu laadullisella tutkimusmenetelmällä case-tutkimuksena. Aineistona on käytetty case-yritysten vuosittaisia CSR/vastuullisuusraportteja vuodelta 2020.

Tutkimuksen tulokset osoittavat, että yritysten välillä on selviä eroja vastuullisuusraportoinnissa. Kaikki yritykset ovat adaptoituneet vallitsevaan ilmastonmuutokseen eri tavoin. Samat teemat toistuivat raporteissa. Case-yritykset koettavat käyttää kestävämpiä materiaaleja valmistusvaiheessa, vähentää kuljetuspäästöjä optimoimalla kuljetusreitit sekä käyttämällä taloudellisemmin vettä ja energiaa. Case-yritykset voivat parantaa joitakin CSR-käytäntöjään toimitusketjuissa, kuten vähentämällä muovin käyttöä sekä monitoroimalla toimittajia tehokkaammin.

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1 Introduction

Sustainability, the wellbeing of the employees and transparency are all factors in which the customers have started to pay more attention to. All the companies, regardless of the field of industry, are in a position where it is mandatory to take all these issues into account in order to manage in the market. It has been proved that well-thought and efficient corporate social responsibility (hereafter CSR) can improve a company's performance. (Lindgreen & Swaen, 2010) The customers are more aware of all the operations which are included in supply chain and demand that the goods and services are produced using responsible ways.

Climate change forces the companies to think more critically of their practises and ensure that they are following for instance ISO standards and all the required legislations when it comes to environment – both in working places and the nature that surrounds us. Especially the role of fashion industry has been emphasized when talking about the environmental impact of different industries. Even though the size of the industry has grown and expanded in a tremendous way, which has led it to having the second largest trading activity globally (Mukherjee, 2015), and the globalization has advanced it even more, the manufacturing has not developed at the same pace as the distribution of clothes and accessories. Globalization has enabled the companies to manufacture their products at a faster rate and at a cheaper price than ever before. No wonder that fashion industry is one of the most harmful industries having a huge impact both from social and environmental perspective. (Pedersen, Gwozdz & Hvass, 2018)

Fast fashion manufacturing causes over 92 million tonnes of waste per year, and not to forget the water usage which is also outrageous: 79 trillion litres. The share of carbon dioxide emissions for fashion industry compared to all the other industries is remarkable – 8-10% which is approximately 4-5 billion tonnes annually. The industry has also a big part in polluting industrial water with textile treatment and oceans with microplastic. Furthermore, landfills are filled in with textile waste which makes up to 92 million tonnes per year. If the

waste does not end up on the top of the waste mass, they are burned no matter if the garment was a return from a customer or unsold. (Niinimäki, Peters, Dahlbo, Perry, Rissanen & Gwilt, 2020) Although the global trade creates employment for many people especially in the developing countries and might improve their economy, low salaries, poor working conditions, child labor and unclear or non-existent terms of employment are the downsides when looking at the social impacts of fashion industry. (Mukherjee, 2015)

The fashion firms have been put under the public eye, therefore some of them have really improved the actions and operations when it comes to their CSR functions. For instance, the companies have developed supplier codes of conduct approximately 30 years ago and also different ways to recycle raw materials and old clothing textiles in collaboration with other organisations. However, because of the strict sustainability boundaries and limitations, some fast-fashion companies have found it difficult to obey these rules and the lack of transparency and taking care of the well-being of the employees causes issues. (Pedersen et al., 2018) To avoid having a bad reputation, the companies might greenwash their activities for instance in the form of CSR reports. Thus, it can be difficult for the stakeholders to evaluate if the company has a genuine concern for the environment and if the report is fully reliable.

As stated before, the industry has been in the spotlight for some time, also in the literature. Despite the number of papers which are related to both CSR and fashion industry, the scope of the papers has not included the Nordics and their clothing industry. This research examines the relationship between supply chain management and corporate social responsibility, and how the integration shows in the Nordic clothing companies. The topic is becoming increasingly relevant due to the current situation with the climate change. The clothing companies, together with another industry fields, need to take action on how to reduce their emissions and find solutions for creating a more sustainable future for the next generations.

This study is based on three different case companies' supply chain operations: Swedish company Filippa K, Danish company Samsøe Samsøe and Finnish company Marimekko.

The study will be conducted by analyzing the case companies' annual CSR/sustainability reports and assessing their CSR practises in the supply chains.

The main research question which guides this study is the following:

Q_1: *How CSR is integrated in supply chain management of clothing industry in Nordic companies?*

In addition to the main question, the research will also focus on how the case companies could further develop and upgrade their practises. The sub question is:

Q_2: *How could the case companies improve their CSR practices?*

The CSR practices are examined in environmental, social, economic and ethical perspectives. This research is limited to three case companies stated above of which all of them sell clothes and accessories, except Marimekko has a selection of home furnishing products as well. The reason behind choosing those three specific case companies was to be able to have this study concentrating on examining more higher quality brands rather than fast-fashion companies. All three case companies are emphasizing quality over the prices, thus sustainability is one of the key factors in their business. They are a good example of sustainable operations and they value high corporate social responsibility standards in their supply chains.

There have been previous studies conducted regarding supply chain management and CSR, and many of them focused specially on fashion industry. According to Pedersen, Gwozdz and Hvass (2018), those fashion companies who actively innovate their business model, tend to concentrate more on their sustainability agenda. It also has been studied that in order to avoid the clothing company's risk of having a bad reputation on sustainability issues, they usually expand their range of environmentally friendly products and highlight the well-being and safety of the employees. Also, it is common that the businesses try to keep their brand image as positive and reliable as possible by creating a roadmap for sustainable development and making the production more ethical. (Thorisdottir and Johannsdottir, 2020)

The thesis has five chapters. In the literature review part, the relevant concepts for the study, e.g. CSR, SCM and CSR in SCM are going to be presented. The third chapter introduces the methodology, which research method was used and how the data was gathered and implemented into the study. The findings of the study are going to be presented in the fourth chapter. Finally, the conclusions and discussion are in the fifth chapter.

2 Literature review

This chapter introduces the most relevant concepts for the topic of research. Literature review presents previous studies on corporate social responsibility practises in supply chain management. Each section will contain the basic definition of the term. Finally, the connection between supply chain management and corporate social responsibility and what effects it has on the company's activities is going to be presented.

2.1 Supply chain management

The terms "supply chain" and "supply chain management" have caught more attention than ever in the last twenty years. The popularity is caused by the pressure to be as transparent and cost-efficient as possible, and at the same time, have the best possible quality as well. The continuous growth of globalization does not only include the international sales but also the global sourcing. The competitive and global environment forces the companies to think more strategically when it comes to the costs, suppliers' liability and responsibility and time-efficiency. (Mentzer, DeWitt, Keebler, Min, Nix, Smith & Zacharia, 2001).

In order to coordinate the flow of materials into and out of the company more effectually, the companies need to build close relationships with suppliers. The requirements set by the customers, such as fast delivery time, supplying quality products which do not get damaged during the delivery and price-performance ratio, define if the company will survive in the market along the competitors. These demand closer coordination with the suppliers and distributors. In addition, constantly developing technology, political situations and economic conditions cause unpredictability in marketplaces. Thus, flexibility is needed both from individual companies and supply chains and also in supply chain (SC) relationships. (Mentzer et al., 2001).

Instead of brands competing against one another, the modern business management has led to a situation where it is the whole network who is trying to earn the market's leading position, including the suppliers, the brand itself and the store. The role of business relationships cannot be emphasized enough when reaching for success. (Lambert & Cooper, 2000).

The definition of "supply chain" has more written literature and is used more commonly than "supply chain management". Supply chain has multiple definitions; for instance, some researchers see it as a network of organizations who produce products and services through upstream and downstream linkages. A simpler definition proposed for supply chain is that it is a group of companies that transfer materials forward. Mentzer et al. (2001) propose the following definition for "supply chain":

> "A set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer" (Mentzer et al., 2001)

According to Lambert and Cooper (2000), SCM manages the whole chain and the business, in addition to the relationships of the supply chain. Figure 1 shows the broad understanding of supply chain management; it includes the information and product flows and the key processes. The core of SCM consists of eight key processes that can be seen in Figure 1: customer relationship management, customer service management, demand management, order fulfilment, manufacturing flow management, procurement, product development and commercialization and finally, returns. (Croxton, Garcia-Dastugue, Lambert & Rogers, 2001).

> "Supply Chain Management is the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders." (Lambert & Cooper, 2000)

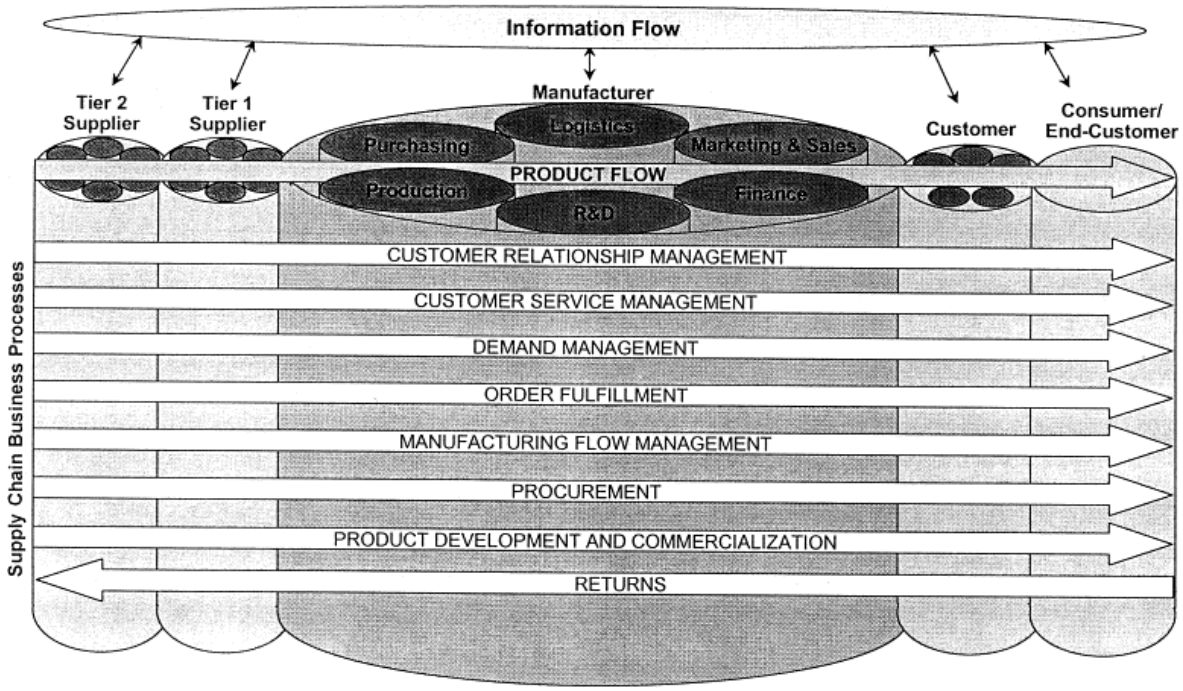

Figure 1. Supply chain management: integrating and managing business processes across the supply chain (Lambert & Cooper, 2000)

Stadtler (2008) focuses on the target group, which is the ultimate customer, divergent and convergent flows, coordinating material, information and financial flows and he also introduces the terms "inter-organizational" and "intra-organizational" supply chain. Based on these aspects he has given the following definition for SCM:

> "Task of integrating organizational units along a supply chain and coordinating material, information and financial flows in order to fulfil (ultimate) customer demands with the aim of improving the competitiveness of a supply chain as a whole." (Stadtler, 2008)

Referring to Lambert and Cooper (2000), there are three main elements which are involved in managing supply chain: the supply chain network structure, the supply chain business processes and the management components. In order to the company to manage well along the competitors in the market and to be profitable, the company has to pay attention to the

structure of processes within and between companies. Coordinating the activities is vital for the firm to succeed in SCM. Furthermore, the company needs to tell apart the primary and supporting SC members.

2.1.1 Supply chain management in clothing industry

For the purpose of reducing costs and maximizing the profits, retailers often source their textiles and apparel products abroad. Another reason for offshore sourcing is that the consumer needs change in a rapid schedule and the companies need to be able to meet those requirements and customer wishes. Since the popularity of offshore sourcing has increased, there has also been a negative change in the employment in industrialised nations. Nevertheless, retailers use local suppliers in addition to the offshore sources. During the mid-season they are needed for refill the stocks, and consequently, the synchronization of the logistics and supply chain of textile suppliers and retailers is vital. (Bruce, Daly & Towers, 2004).

When it comes to the supply chain in the clothing industry, we can say that it is not a simple chain of processes and different parties. It can be described as a complex process where the chain has multiple different sources, and it can be hard to keep it transparent. As a result, it is necessary to manage the supply chain precisely in an effort to improve efficiency. In addition to the fact that the supply chain is a complex system with many different parts and factors in itself, the globalisation pushes the companies to move their manufacturing or source their components from countries with lower labor and material costs. In this way the companies can reduce their annual spend. However, as a result, this causes even more complexity to the chain. The industry includes certain typical characteristics such as a short lifecycle, high unpredictability, volatile demand and large number of impulse purchases. (Bruce et al., 2004). Figure 2 presents how the apparel transforms from fiber into the final product. Even though the process includes many steps and there are many parties involved, the main driver in it is the downstream distributor. Its mission is to place orders for upstream companies and deliver their products to consumers. (Thomassey, 2010)

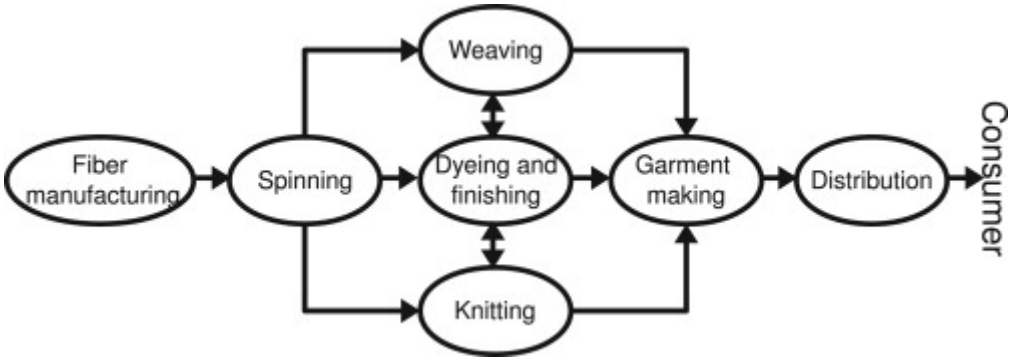

Figure 2. The textile–apparel supply chain (Thomassey, 2010)

Since the different steps in the manufacturing process are quite time consuming, there is a risk for demand distortion that progresses in the SC from retailer to wholesaler and manufacturer due to fluctuations in orders that can be greater than sales. This phenomenon is also known as the "bullwhip phenomenon". Thus, sales forecasts are the factor that can be seen as the main element in managing supply chain well. However, clothing industry is complex also when it comes to the prediction of the sales amount. (Thomassey, 2010)

The manufacturing process and the time consumed for that is one issue, but the company also needs to take the type of the clothes into account when making a sales forecast. Every garment is related to weather conditions and unpredictable weather changes can either cause a peak of sales or vice versa. In addition to the weather conditions, also the external variables can cause harm to the sales, for instance, the end-of-season sale and purchasing power of customers. The current fashion trends play a big role in the industry. It must be up to date or otherwise the sales will not reach the maximum potential. Since the trends change continuously, most of the products will not stay in the selection for the next collection. Also, the colors and sizes have their own part in the sales forecasts and effect on how well the company performs. (Thomassey, 2010)

2.2 Corporate social responsibility

Since sustainability has risen into a massive and highly debated subject, the companies need to put more focus on their actions and how they represent their business functions to the stakeholders. Nowadays, CSR plays a huge role in the business culture and it's a factor that can be used to assess a company by either a customer or an investor or a shareholder. (Lindgreen & Swaen, 2010) CSR is a multidimensional concept regarding company's actions which promote sustainable development from economic, social, ethical, and environmental point of view. These dimensions have been taken into the research already in the early 1990s. (Quarshie, Salmi & Leuschner, 2016) Social, environmental and economic dimensions are often linked to the Triple Bottom Line (TBL) created by Elkington (1999). Carrol (1979) presents the corporate social performance (CSP) model which encompasses company's legal, economic, ethical and philanthropic responsibilities. The same pieces are used in the Pyramid of CSR which emphasizes moral and ethics. These theories have a lot of similarities and Quarshie et al. (2016) present in their article about sustainability and corporate social responsibility in supply chains, that the theories extend over each other and it is hard to draw a clear boundaries around them. The companies need to assess the environmental impact they might have, and also take care of their transparency and how the operations are reported. CSR also includes having the respect for human rights: improving the work environment and how the employees are treated. (Lindgreen & Swaen, 2010)

According to Lindgreen and Swaen (2010), it is common to use CSR practices in order to maintain their brand image bright and generally in a good level by giving information in their annual sustainability reports and websites to the customers and other stakeholders. Since greenwashing has become more common among the different industries, there has been discussion if traditional marketing tools are a suitable way to communicate about the CSR practises or not. Nonetheless, reporting about social activities does not automatically profit the company since the communication might irritate the stakeholders and cause scepticism. To succeed in implementing CSR, the managers and stakeholders need to have a tight connection with the stakeholders. Through negotiations and discussions, the managers need to prove that they have the right strategy and to achieve the desired result, the company needs the support.

Social responsibility as a concept, according to Jamali and Mirshak (2007), has a narrow and a broader version. This part is going to concentrate on the broader version. It means that the companies meet the expectations in various operations such as protecting the environment, developing the community, saving the resources and in philanthropy. When looking at the society from this point of view, both corporates and normal human beings are expected to take responsibility and follow the principles of morality, sustainability, and honesty.

As claimed by Devinney, Auger, Eckhardt and Birtchnell (2006), consumer social responsibility (hereafter CNSR), is a pattern of behavior in which a person makes a conscious decision based on his or her morals, ethics and beliefs. CNSR consists of two pieces. The first piece is called an "ethical component", which is about how much the consumer cares about the non-traditional and social parts of a company's products and business processes. The second part is called a "consumerism component" that means that the impact of ethical or social factors are partly due to what the consumer prefers and desires. CNSR appears for instance in willingness to donate, purchasing or non-purchasing behavior and through viewpoints in surveys. (Devinney et al., 2006)

2.2.1 Environmental issues

Fast-fashion culture has changed the production of clothes significantly during the last decade. The materials are low-quality and the cheap prices attract buyers to make impulse purchases. In Finland, Denmark and Sweden, the amount of new clothes bought is between 13kg and 16kg per year. (Niinimäki et al., 2020) The clothes have shorter product life-cycles than before and the different materials, such as water, chemicals, and energy which are used during the supply chain cause remarkable negative environmental impacts. To a consumer who wants to be aware of where the different textiles, colorants and other chemicals are from, who actually manufactures the clothes from the primary product to the final product, this can be challenging due to the long and complex supply chains with limited transparency. (Pedersen et al., 2018)

Environmental issues in CSR are seen as the most important part of the reporting. Previous KPMG's research shows that over 80% of global companies report their carbon emissions. In 2017, over sixty percent of the carbon emission reporting companies had reported that they had cut the emission, whereas the percentage had been under sixty in 2015. It is reported that environmental CSR influences how stakeholders see the company. If the firm doesn't see the environmental risks as an important issue, it affects both its profitability and how people consider the firm – good or bad – in the sense of possible investment. (Fukuda & Ouchida, 2020)

To avoid unnecessary waste, the responsible fashion companies who care about CSR, have started to control their supply chains better. The companies have started to adapt to the climate situation by following different certificates, standards and code of conducts when choosing a production plant, subcontractor or a supplier. These guidelines have also been taken into use because of the social pressure. (Pedersen et al., 2018) Moreover, environmental regulations and laws force the companies to think in a greener way and vice versa, when the regulations are designed, the government needs to take the CSR behavior of companies into account. (Fukuda et al., 2020)

Constantly developing technology and digitalization has also had its effect on new materials and processing techniques which can decrease the environmental impacts. In addition to the new way of manufacturing, the firms have an innovative set of mind and there has been collaboration with different organisations which enables the firms to recycle old clothes and transform them into something new. Also, second-hand e-commerce has gained significant popularity in the last years. The trend is continually developing, and it has a noteworthy impact in the clothing industry globally. (Herjanto, Scheller-Sampson & Erickson, 2016)

2.2.2 Social issues

In addition to the environmental issues, social issues are a noticeable group of challenges which firms face in their supply chain management. Social issues mean the unethical labour practises which might occur in the work environment. (Pedersen et al., 2018) Social issues include human rights, labor rights, child labor and forced labor, employee well-being and the impacts on consumers, society, and local communities.

Usually, social issues do not receive as much attention as environmental issues do but it does not rule out the fact that they would not be at least as important especially when looking at the company's reputation. If the company takes good care of their social part of CSR, it can indicate a high-level performance, thus it is profitable for the company to really put their mind to think carefully and thoroughly about the supply chain. Stakeholders position themselves very steadily into the company's values and mission and they have a significant effect on the social responsibility. Since the company's aim is to satisfy the needs of a stakeholder, the company must meet their expectations and follow the regulations, directives, and laws. (Yawar and Seuring, 2017) However, the companies must take care of the social issues of various stakeholders as well. Carroll (2004) argues that there are eight categories for the typical business ethics issues that multinational corporations or transnational corporations face: corruption, employment issues, marketing practices, effects on the economy and development of host countries, impact on the environment and the cultural impacts of operations and finally relations with host governments and home countries. A strategy is needed for addressing these issues and one example is to have a global corporate code of conduct and also adopt global codes developed by international organizations such as UN Global Compact, the Global Reporting Initiative and OECD Guidelines for Multinational Enterprises. (Carroll, 2004)

2.2.3 Economic issues

Economic impact on employees and suppliers, economic inequality and poverty and tax issues can be used as an example of typical economic issues that a company can encounter.

Economic growth has caused various effects on the society in a good way but it has also its downsides. The governments should take care of these downsides, but corporates have invested in handling these issues beyond the regulations. These positive effects have caught people's attention and most of them think that companies should go beyond profit maximization and take part on actions that prevent the society from the economic problems such as exploitation of labor or excessive risk taking in the financial sector. In addition, CSR reports are also taken into account when pension funds are allocating their investments. (Kitzmueller & Shimshack, 2012)

We can say that CSR has a huge impact on the global economy through stakeholders' investment decisions. In order to have success in the business environment, the company has to make compromises with the costs. A more socially and environmentally acceptable behavior causes larger costs. However, the popularity of socially responsible investing is increasing continuously, and investors are highlighting the sustainability and responsibility when making investing decisions. The bad side is, that companies might exaggerate their operations to be better than they actually are, or leave some questionable parts out of the reports. In other words, companies might use CSR as an advertising tool, which is also known as green washing. (Kitzmueller & Shimshack, 2012)

2.2.4 Ethical issues and philanthropy

The ethical issues consist of companies questioning the right and wrong with their operations and whether they are ethical or not. It also includes unethical conduct in relationships and philanthropy. Various surveys and questionnaires have proven that social issues affect on how consumers see the company and the brand image and also how willing they are to support it. However, many company boards are still not that enthusiastic in putting that much effort into CSR due to the fear of the financial efficacy. (Devinney et al., 2006)

2.3 Corporate social responsibility in supply chain management

As stated before, corporate social responsibility has affected the business and companies' supply chain management. Since the micro- and macroenvironment factors, such as the economy and financial fluctuations, political changes, technology and other socioeconomic issues, have their own role in changing the market, companies must adapt themselves into a more innovative way of thinking regarding corporate social responsibility. In the last two decades, supply chain management and CSR are the two practises that are driving success the most in the companies. (Valdez-Juárez, Gallardo-Vázquez & Ramos-Escobar, 2018)

According to Valdez-Juárez, Gallardo-Vázquez and Ramos-Escobar (2018), small and medium-sized enterprises are focusing on improving their innovation and strengthening the management of the SC when it comes to the social practises in CSR. With the innovative business model, it has been studied that it improves the company's brand image and consumers see it in a better light. To further improve the sustainability practises, the managers should adapt new business models and strategies which concentrate on environment. One aspect for achieving success in the business in CSR point of view are the ISO standards. The SMEs should consider on the practises which bring them closer to being sustainable businesses by implementing the ISO standards. Thus, they can get the certifications and improve their image furthermore. (Valdez-Juárez et al., 2018)

3 Methodology

This chapter introduces the research method and data used. The first subchapter will give an introduction of the qualitative research method and what are the features in it. The second subchapter will present the data used and how it has been gathered and analyzed.

3.1 Research method

The research method chosen for this topic is qualitative, and it is conducted as a holistic multiple-case study. The reason behind choosing qualitative research for this thesis is that it suits best for the issue that is examined. Qualitative research data is usually gathered from for instance interviews, different types of documents and also from visual materials. (Saldana, 2011) This research used the sustainability and CSR reports as the nonquantitative data.

This bachelor's thesis is conducted as a case study. The case study can focus on a one specific event, organization or a group of people. The purpose of the case study is not to generalize one singe case's results to other similar cases but to examine the sample, for instance a group of employees in an organization, chosen for this specific case study. (Saldana, 2011) Case studies can be done either as a multiple- or single-case study. The basic types of designs for case studies are presented in figure 3. If there are enough resources and time, multiple-case study is more recommended than a single-case study. Despite the fact that a multiple-case study is usually more challenging to implement, there is a bigger chance to produce more liable data and more evidence since there are more experiments than one. (Yin, 2018)

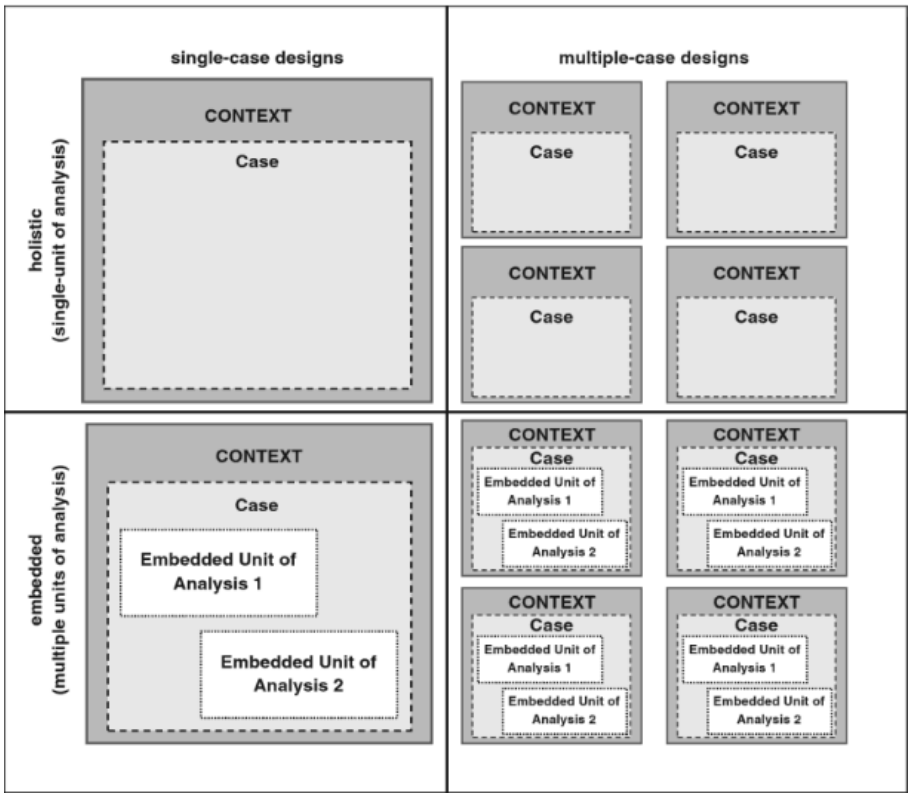

Figure 3. Basic types of designs for case studies (Yin, 2018)

With multiple-case study, it is possible to cover one issue more intensely and precisely or alternatively, focus on more than one issue. The better results however come with a price. It takes much more time and effort to do a multiple-case study and usually external funds might be needed. (Yin, 2018)

3.2 Research data

The research is based on three case companies: Swedish company Filippa K, Danish company Samsøe Samsøe and Finnish company Marimekko. The study is conducted by analyzing the case companies' annual CSR/sustainability reports. In this thesis the reports are from 2020 since the newer versions had not been published yet.

The case companies sell clothes and accessories, except Marimekko has also a selection of home furnishing products, e.g., plates, coffee mugs, pillow covers, vases and towels. Marimekko's net sales are approximately EUR 152 million. Marimekko has around 150 physical stores around the world, and they also serve online customers in 35 countries. The main markets for Marimekko are Northern Europe, the Asia-Pacific region and North America. (Marimekko, 2022) Filippa K concentrates on creating clothing and accessories and are working in 20 markets worldwide. They have 25 stores and their products are sold also through over 300 retailers and department stores. Filippa K is present via their websites as well. (Filippa K, 2020) The annual turnover in 2018 was around 729 million SEK. (Filippa K, 2018) Samsøe Samsøe has over 40 stores and more than 1600 retailers. They are also present in e-commerce. (Samsøe Samsøe, 2022)

4 Findings

In this chapter the findings are going to be presented. The CSR practises in the companies' supply chains are gathered from the annual CSR/sustainability reports. The findings are presented one company at a time and provided based on the theoretical framework: environmental, social, economic and ethical issues.

4.1 Marimekko

Marimekko has told rather openly and widely about their sustainability practises in their annual report. The report overall includes information about the sustainability in the supply chains, resource efficiency and environment and the work environment. They also mention their cooperation with the stakeholders, and finally in the end of the report, focus on the statistics. (Marimekko 2020)

There is a wide range of functions that Marimekko has implemented into their supply chain in order to reduce the environmental impact. They aim to align the emission targets with the Paris Climate Agreement: they want to reduce the environmental footprint of textiles by 30% by the end of 2025, by using more responsible materials. They also aim to reduce logistics emissions by 50% by the end of 2025. Marimekko tries to reduce the emissions by optimizing transport routes and choosing lower-emission modes of transport. At the moment, all production batches are delivered by low-emission modes of transport, such as sea, rail or truck, and only samples and individual urgent consignments are transported by air. They compensate for emissions from all their store and e-commerce deliveries to Finland and their e-commerce deliveries to other parts of Europe. (Marimekko 2020)

In 2020, approximately 70 suppliers manufactured Marimekko's products in nearly 100 factories in Europe and Asia. Marimekko collects information about their supply chain and for shorter chains, they know the supplier of the raw material and the place of manufacture.

For more complex stages, they know the supply chain at least two steps before Marimekko. These two steps are the sewing point and the place where the fabric is printed. Marimekko requires their suppliers to provide information on the origin of, for instance, cotton, leather and wool. Marimekko's medium-term goal is full transparency of supply chains from raw materials, and the long-term goal is a value chain based on circular economy principles. Human rights are also taken into account through the "due diligence" process. The process includes for instance careful selection and evaluation of suppliers, surveys to suppliers, external evaluations and review of external reports and cooperation with other organizations in the industry. (Marimekko 2020)

Marimekko listed its biggest manufacturer countries into a pie chart. 60% of Marimekko's products are manufactured in the EU and 40% outside the EU. (Marimekko 2020) The countries are illustrated in the table 1. The suppliers are chosen carefully and precisely. In addition to the commercial terms, Marimekko views also the sustainability aspects, such as working conditions, safety practises and the implementation of other human rights, possible social or environmental responsibility certificates, and audit results. When it comes to the suppliers from out of EU, Marimekko requires them to have amfori BSCI audits or SA8000 certification or to initiate an audit or certification process. On a case-by-case basis, they accept factories that have other similar social responsibility audits. In 2020, 79% of the product purchases outside the EU were covered by BSCI audits and 100% by BSCIs or other similar social responsibility audits. Due to the travel restrictions imposed as a result of the corona pandemic, visits by Marimekko's staff to suppliers' factories were not possible, but close dialogue with suppliers continued by other means. (Marimekko 2020)

Table 1. Marimekko's largest manufacturing countries. (Marimekko 2020)

Country	Percent
Portugal	19
China	17
Estonia	15
Thailand	14
Lithuania	13
Finland	9
Turkey	5
India	2
Hungary	1
Pakistan	1
Moldova	1
Sweden	1
Indonesia	1

Marimekko's Supplier Code of Conduct has been developed by thinking of the amfori BSCI requirements, which, among other things, require respect for human rights and strictly prohibit the use of child and forced labor. The purchase agreements force the suppliers to comply with International Labor Organization ILO conventions and Marimekko's supplier guidelines and product guidelines. The product lines include the responsibility requirements for different materials and their production. The monitoring and evaluation are done by external experts in the factories. Especially, in the high-risk countries are audited regularly. The suppliers are also evaluated with an evaluation tool. (Marimekko 2020)

4.2 Filippa K

Filippa K states that their mission is to drive mindful consumption. They want to sell clothes that are timeless, high quality and they want to emphasize more sustainable way of thinking. It is better to sell less and use them for longer. The goal is to change the impulse-driven buys to thoroughly considered purchases. Filippa K recognizes the environmental and social risks in their supply chain.

To reduce the environmental impact, Filippa K focuses on transportation and tries to choose the most environmentally friendly option. Also, the use of energy is one of the key factors when in comes to the carbon footprint. Another way to decrease the environmental impact is to choose sustainable materials and responsible practises in production phase. (Filippa K 2020) Filippa K uses a lot of fibre in their garments. Thus, they need to put a deep focus on the materials they use. Filippa K has a Fibre Tool which they use on a regular basis. It gives a score which is based on a fibre's impact of production, and it also considers its durability and the whole life cycle of the product. In 2020, 67% of Filippa K's garments were made of more sustainable fibres according to the Fibre Tool. Since less than one percent of cotton in the world is farmed organically and BCI cotton is hard to be traced because of the mass production, Filippa K has decided to use more of certified organic cotton in order to have traceability and transparency in their supply chains. In addition to the certified organic cotton usage, Filippa K has increased their use of recycled polyester. (Filippa K 2020)

According to the Filippa K's report, most wool in the fashion industry comes from locations where it is hard to trace the origin and the individual farms. Filippa K has started a cooperation with Swedish local farms and they use Swedish wool in their knitwear. Since the Swedish Wool Project had went well, Filippa K decided to find a new solution also for the leather sourcing. The Swedish meat industry had leather byproduct and now Filippa K uses that leather for a couple of their outerwear garments. The supply chain is fully transparent, and they can ensure the animal welfare. (Filippa K 2020)

Filippa K aims to be fully transparent and traceable within their supply chain and production in the future. They are cooperating with TrusTrace which is a digital platform that offers supply chain and transparency tools to develop sustainability. Also, circularity is one way with which the company drives the sustainability further in their operation. In 2020, Filippa K started gathering old garments from the customers and they wash, repair and remake them into something new and finally, sell them. In addition, Filippa K sends their wool cutting scraps to their key partner mill in order to produce fabric from waste. In 2020, Filippa K started to use FSC-certified recyclable paper instead of their plastic packaging. They estimated that the plastic use had been reduced by 2400kg. Since the company must use

plastic in some shipments, they have tried to improve the packages and source for recycled or biodegradable plastic. (Filippa K 2020)

Filippa K has created its own guidelines and policies regarding human rights and their partners have to sign the Code of Conduct. Therefore, the supplier companies, trading agents and other partners have to make sure that the subcontractors involved in the processes will also follow the Code of Conduct. The Code of Conduct has fourteen different steps: no exploitation of child labor, employment if freely chosen, legally-binding employment relationship, transparency regarding working hours and wages, no excessive working hours, no discrimination in employment, payment of living wage, freedom of association and the right to collective bargaining are respected, no corruption, no safety hazards, educate employees, compliance to Filippa K's chemical restriction list, managing environmental issues and no severe environmental pollution. Filippa K aims to monitor at least 90% of their suppliers annually. (Filippa K 2020)

4.3 Samsøe Samsøe

Samsøe Samsøe emphasizes its goals with four different initiatives by the United Nations Sustainable Development Goals: 6, 8, 12 and 14. Goal 6 is to ensure availability and sustainable management of water and sanitation for all. Samsøe Samsøe has taken a new manufacturing process into use which reduced their water use by 95% and energy use up to 75% per style. Goal 12 is to ensure sustainable consumption and production patterns. Samsøe Samsøe introduced a new waste disposal and recycling systems. Also, their energy usage across business locations has been taken into account and they succeeded in reducing consumption. Goal 14 is to conserve and sustainability use oceans, seas and marine resources for sustainable development. Samsøe Samsøe started to use certified organic cotton and they changed its treatment a bit. It has been estimated that the first production cycle will save about 480 000L of water. The company also uses only organic fertilisers in their processes. (Samsøe Samsøe 2020)

Samsøe Samsøe has a goal to use 100% responsible materials by 2024. The company identified three groups of textiles. The division categorizes for instance the usage of water, energy and land and also greenhouse emissions. The three groups are responsible, accepted and avoidable. Since physical sampling causes both costs and negative environmental impact, Samsøe Samsøe decided to reduce it and started to use CLO – a 3D Design software. (Samsøe Samsøe 2020)

The company is aiming to be traceable and use responsible material. Samsøe Samsøe is certified with many standards and certifications. For the e-commerce distribution, Samsøe Samsøe has transformed the plastic packaging to FSC certified paper bags and now they have only one plastic bag. They are trying to reduce the CO2 emissions and therefore, the amount of air shipments has reduced. Now the focus is on the train and truck transportations. (Samsøe Samsøe 2020)

Goal 8 is to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Samsøe Samsøe has ensured that none of their stakeholders are associated with the Uyghur people in the Chinese camps in the Xinjiang region. They use a third-party audit process to ensure this. The company is also committed to respecting the UN Global Compact, UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. They require that all the suppliers and partners meet these expectations in their Code of Conduct. (Samsøe Samsøe 2020)

4.4 Comparison of the findings

The case companies focused mainly on the environmental aspects. Marimekko wanted to align its emission targets with the Paris Climate Agreement and Samsøe Samsøe used the UN Sustainable Development Goals to support its operations. They all focused on using more sustainable materials, Filippa K has a Fibre Tool for their fibre sourcing, they increased the use of certified organic cotton and recycled polyester like Samsøe Samsøe did as well.

This is evaluated to decrease the water use remarkably. Filippa K also found a new solution for the leather sourcing.

The manufacturing process had also been discussed in the reports. Samsøe Samsøe had created a new manufacturing process which reduced both water and energy. They also introduced a new waste disposal and recycling system. In addition, organic fertilizers were taken into use in the manufacturing phase. Transport and distribution down the supply chain were mentioned as well. Marimekko wanted to reduce their logistics emissions by optimizing the transport routes and choosing lower-emission modes of transport. Now the production batches are delivered by low-emission modes of transport, such as sea, rail or truck, and only samples and individual urgent consignments are transported by air. Filippa K also stated their willingness to reduce the transportation emissions.

The social, economic and ethical dimensions go a bit hand-in-hand in the reports. Traceability of the supply chains was the biggest topic in this section. Marimekko requires that the suppliers give certain information on the origin of, for instance, cotton, leather and wool. Their medium-term goal is full transparency of supply chains from raw materials, and the long-term goal is a value chain based on circular economy principles. Filippa K started a cooperation with a local Swedish farm, thus they can trace the supply chain completely and ensure the animal welfare.

The suppliers are monitored in all the case companies in different ways. Marimekko told that they have a careful selection and evaluation of the suppliers, including surveys, external evaluations and cooperation with other organizations in the industry. They also require amfori BSCI audits or SA8000 certification from the suppliers from outside the EU. High-risk countries are audited regularly. Marimekko also uses a supplier evaluation tool. Filippa K aims to monitor at least 90% of their suppliers annually. Samsøe Samsøe used a third party audit to ensure that none of their stakeholders were included with the Uyghur people in the Chinese camps. All of the three case companies require their partners to sign their Code of Conduct.

5 Discussion and conclusions

There were major differences in the sustainability/CSR reports with the companies. Marimekko offered the most information of the three case companies. It had a lot of percentages, charts and statistics and the sustainability practises were presented clearly and in detail. Samsøe Samsøe had percentages and the report had examples of actual, concrete practises that the company had done, but still there could have been more explained. Filippa K had the least information. The company told a few examples, and they gave an overview of everything. Compared to Marimekko, it had a huge difference. It is quite inconsistent that Filippa K emphasizes sustainability and high quality in its products but still the transparency was almost non-existent. Therefore, the analysis of Marimekko might be the most accurate while Filippa K's practises are much more unclear. Thus, the annual reports are not completely equivalent and comparable.

However, all of the three case companies focused on environment and sustainability in all of its forms. All of them mentioned practises which belonged to environment or social practises. The same themes continued in all of the reports. The only company which openly presented their failures was Marimekko. The company had made tables where the practises were told. Next to the table the company had evaluated how the goals had been accomplished. This created a genuine image of the company.

All the three companies focused on reducing their emissions. The usage of water and energy was mentioned multiple times. Samsøe Samsøe and Filippa K talked about the replacing of plastic packaging. They both use mostly FSC-certified recyclable paper. Marimekko had an opposite situation in 2020. Since COVID-19 increased e-commerce and at the same time reduced shopping in physical stores, their plastic usage had increased remarkably.

Marimekko could improve its sustainability practices through replacing the plastic packages with an alternative, more eco-friendly option. Since the amount of e-commerce is continuously increasing, especially during the pandemic, they need to adapt to the situation

with a more sustainable solution. Also, they mentioned that their water usage was not in a good level. Marimekko could try to create new manufacturing practices or develop their already existing ones. These two factors would enhance their performance and at the same time, save the environment. Samsøe Samsøe did not tell as widely about the supplier evaluation and auditing as Marimekko did. One can assume that supplier relationship management and evaluation could be improved by requiring certain certificates and audits to have fuller transparency.

Filippa K told that they aim to monitor at least 90% of their suppliers annually. The report did not specify what exactly are the ways to perform the monitoring, but they could use similar ways that Marimekko does. A good goal would be to monitor more than 90% of the suppliers, especially now in 2022 when the situation in Ukraine has its effect on the supply chains and the transparency might not be as well available as it used to be before the war. Since the cooperation with the Swedish farm went well, Filippa K could try to source more of its materials from local suppliers and try to use the byproducts from different industries in order to reduce the environmental impact and to gain more traceability.

Filippa K's report was not nearly as informative as Marimekko's and therefore it is challenging to evaluate its practices in the same way. The biggest issue is the CSR report itself. If a company aims to be sustainable and drive for a better future, they need to be more transparent and tell the customers and other stakeholders more about their practices. Samsøe Samsøe has a good way of aligning its goals to the United Nations Sustainable Development Goals. It creates a good frame for its own sustainability goals. In the same way as Filippa K, Samsøe Samsøe had not evaluated itself in a bad way. The report consists of only the good parts that the company has implemented.

This research has some limitations since it is only focused on three companies from the Nordics. To have a more reliable conclusions, the study should be done by analyzing more than three Nordic case companies. Since the study is limited to the Northern countries, there is still space to investigate the CSR practises in supply chains in other parts of the world. For

future research, the study could have interviews as a primary data and the sustainability/CSR reports as a secondary data to have more data to analyze.

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