The influence of legislation and political bodies on marketing strategies in the context of sustainable development and corporate social responsibility

Illustrated by the example of the company IKEA and the legal framework in Sweden

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Summary of Thesis

Title: The influence of legislation and political bodies on marketing strategies in the context of sustainability and corporate social responsibility (Illustrated by the example of the company IKEA and the legal framework in Sweden).

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Purpose: The purpose of this thesis is to question and discuss to what extent legislation related to sustainability and political bodies’ promotion of CSR influence companies’ marketing strategies.

Method: Qualitative research, secondary data

Theoretical framework: Strategic marketing, marketing in a legal context, sustainability and corporate social responsibility

Conclusion: Swedish legislation did not influence IKEA’s marketing strategy. Only a small indirect influence could be observed. Other factors are a main influence.
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# Table of Contents

1. Introduction .............................................................................................................................. 1
   1.1 Background .......................................................................................................................... 1
   1.2 Problem .............................................................................................................................. 2
   1.3 Research Purpose and Questions ...................................................................................... 3
   1.4 Structure of the Thesis ....................................................................................................... 3
2. Theoretical Framework ............................................................................................................. 4
   2.1 Strategic Marketing and Strategies .................................................................................... 4
      2.1.1 Strategic Market Planning .......................................................................................... 4
      2.1.2 Components of a Strategy ......................................................................................... 5
      2.1.3 Marketing in a legal context ....................................................................................... 6
   2.2 Sustainability and Corporate Social Responsibility .......................................................... 8
      2.2.1 Sustainability ............................................................................................................. 8
      2.2.2 Corporate Social Responsibility ............................................................................... 10
3. Methods .................................................................................................................................. 11
   3.1 About the Research Purpose ............................................................................................. 11
   3.2 Research Approach: Qualitative vs. Quantitative ............................................................. 12
   3.3 Research strategy ............................................................................................................. 12
   3.4 Data collection methods .................................................................................................. 13
   3.5 Data analysis .................................................................................................................... 15
   3.6 Reliability and Validity .................................................................................................... 16
4. Empirical Data ......................................................................................................................... 18
   4.1 Empirical Data on Sweden ............................................................................................... 18
      4.1.1 In general about Sweden and Sweden’s attitude towards sustainability and CSR . 18
      4.1.2 The Swedish Government and Sustainable Development ........................................ 19
      4.1.3 Swedish legislation in the area of environment protection, sustainable development and corporate social responsibility ................................................................. 22
4.2 Empirical Data on IKEA ........................................................................................................... 26
4.2.1 About IKEA ......................................................................................................................... 26
4.2.2 IKEA’s marketing mix ....................................................................................................... 28
4.2.3 The IWAY, IKEA’s Code of Conduct ............................................................................... 29
4.2.4 CO-Workers and working conditions .............................................................................. 30
4.2.5 IKEA’s environment protection and social responsibility .............................................. 31
4.2.6 IKEA’s Sustainability Report 2008 ................................................................................ 32
5. Analysis ................................................................................................................................... 34
5.1 General impact of the legislation in certain areas on companies in Sweden .................. 34
5.2 Impact on IKEA ..................................................................................................................... 36
  5.2.1 The link between the Swedish law and IKEA’s strategic and marketing activities 36
  5.2.2 Law and marketing activities in connection to IKEA’s strategy ................................. 39
6. Conclusion ............................................................................................................................... 44
  6.1 Answer to the purpose and research questions ................................................................. 44
  6.2 Reflections on the application of the study ...................................................................... 45
  6.3 Suggestions .......................................................................................................................... 46
Appendix i ...................................................................................................................................... 47
References .................................................................................................................................... 49
Table of Figures

Figure 1: Components of a Strategy………………………………………………………………5
Figure 2: The Sustainable Triangle…………………………………………………………8
Figure 3: The Law-making Process in Sweden…………………………………………19
Figure 4: Organization of the Ministry of the Environment………………………….20
Figure 5: Components of IKEA’s strategy……………………………………………….39

Table of Tables

Table 1: Relevant Situations for Different Research Strategies……………………….13
Table 2: Six Sources of Evidence: Strengths and Weaknesses……………………….14
Table 3: The 16 Environmental Quality Objectives……………………………………23
Table 4: Overview of IKEA’s strategy and their influences………………………….43
1. Introduction

This chapter introduces the reader to the main points about the thesis background on sustainability and corporate social responsibility. Furthermore, their connections to marketing strategies are questioned. The research purpose focuses on the link between the political view and legislation on sustainability/corporate social responsibility and marketing strategies.

1.1 Background

Companies depend on what is around them and their economical environment depends on them. As a matter of fact, change happens. The ecological, social and economical environment of human beings also changes. This continuous process over the past century has been called globalization (Robertson, 1992). For economical success, adapting to the changing environment is important for companies (Kotler, Wong, Saunders & Armstrong, 2005).

It can be said that between the company and its surroundings there is a field of tension (Wagner, 2005). It exists among the political, ecological, economical, socio-cultural and technological factors around the company. These factors influence the company’s range of activities and profit expectations and vice versa the company can influence them (Wagner, 2005). For example, chemical companies can destroy ecological flora and fauna. The consequences of a company’s interaction with the business environment around it have to be considered in the strategy making and planning process (Kotler et al., 2005).

Due to globalization many aspects next to the natural environment have changed as well (Crane & Matten, 2007). Societies gained different views of themselves and of each other (Kotler et al., 2005). Throughout technical revolutions and development mankind has been also influencing nature and natural resources (Matten, 2004). During the 20th century the demand of energy, especially in form of oil, was approximately constantly rising and it approximately shall rise even more until the year 2030 in comparison to the period between 1950 and 2005 (BGR, 2007). In connection to that the price for energy resources rose as well (BGR, 2007). For example, the oil price in real terms (which means without considering the inflation) was 2005 about one-half of the 1981’s value (House of Lords, 2005). Higher prices can be disadvantageous for companies. In addition, nature is suffering from a climate change which at the present means that the average temperature is rising (House of Lords, 2005) and warms up the surface of the earth. The climate change has also impacts on a company’s activities and possibilities (Boiral, 2006). For instance natural catastrophes in connection to the climate change can destroy production locations, transportation ways and affect whole industries (Matten, 2004; Wagner, 2005). An example from the year 2010 is the outbreak of a volcano on Iceland which caused a volcanic ash-cloud over Europe that consequently led to a current stop in operations of air-traffic. It is estimated that the airlines lost about $200m per day because of the volcanic ash (BBC News, 2010).

The awareness of environmental change and its link to human’s interaction with its surroundings led to the principle of sustainability (Crane & Matten, 2007). This concept is also called sustainable development. In general, sustainable development is defined as “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 8). The sustainability triangle is a model which implicates the link between ecological, social and economical dimensions in a company (Schaltegger, Herzig, Kleiber, Klinke & Müller, 2007). In a long-term view, on the ecological perspective future supply of resources has to be ensured and on the social perspective the company’s interaction with its social environment has to remain positively (Schaltegger et al., 2007). Both are securing the company’s existence on a marketplace. This leads to merging advantages and benefits from both together to improve the economical side (Boiral, 2006).
Another point which has to be drawn into consideration regarding changing business environmental factors is being social. By interacting with its business environment a company has to be ‘social’ in order to meet the social pressure from outside the organization (EU Commission, 2001). This concept is called Corporate Social Responsibility, shortly: CSR. It can be defined as the process that “encompasses the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time” (Crane & Matten, 2007, p.49). Companies have to take responsibility for their activities, just as other members in social relations. Marketing can be considered as a network of relationships, defined by Gummesson (2002), in which a green relationship between the company and its ecological environment exists. This relationship is about the company’s way of dealing with environmental and health issues that are created by the company (Gummesson, 2002).

CSR and sustainability in union can pursue higher profit margins. Both aspects can be used for the strategic intent of a marketing strategy. Such a strategy defines the set of the business’ direction and by which means it shall be achieved on a chosen market (Doyle & Stern, 2006). While planning a marketing strategy, CSR and sustainability can be arranged to support the company’s reputation.

Such strategic marketing can be viewed in different contexts. This thesis focuses on the legal context and the influence of law on strategic marketing.

1.2 Problem

Since the movement towards a better care for the ecological environment started in the 1980s, guidelines and laws have been released and passed by governments and NGOs. For example the EU Green Paper on CSR, published in 2001; it promotes social activities and gives advices for the practice of companies (EU Commission, 2001). Another example is the carbon dioxide emissions regulation in the European Union. With it, the European Parliament and European Council postulate the reduction of CO2-emissions from cars and light commercial vehicles in the European Union (EU Commission, 2009).

The legislation frames the environmental changes which were discussed in the background. For companies it means also a limitation in strategic choices and marketing actions which are made on market places (Kotler et al., 2005). Therefore marketing strategies can also be built in the context of this legislation (Kotler et al., 2005). For the authors of this thesis it is interesting to figure out which link exists between marketing and the legal framework on sustainable development and CSR. Taking strategic marketing into account, the roles which restrictions and the legal framework play might be important. While focusing on legislations, for a company it can be hard to change an existing and profit-making strategy. It is therefore also questionable how companies deal with these difficulties and how they can still be profitable after the change.

So, on the one hand legislation can be seen as a threat or a restriction for a business (Kotler et al., 2005). But on the other hand as stated by Kotler (et al., 2005) a company can also use it as an opportunity to improve its impact on the business environment. Next to the provision of strategic opportunities, it is also a pro-active factor in the customer demand (Kotler et al., 2005). In the battle over resources, social reputation and profits, companies have to chose their strategies wisely in order not to lose competitiveness. One part of strategies is gaining a sustainable competitive advantage (Doyle & Stern, 2006). It is also possible to use the legislation to do more than what is asked (Kotler et al., 2005). There are also codes and unwritten rules which encourage companies to do the socially responsible right things (Kotler et al., 2005). Using the law as a starting-point for social and ecological acting, a company could improve its advantages by implementing more than just by the law demanded regulations.
In summary, laws create restrictions and opportunities for companies on markets. Further, laws change just as the economical environment (Kotler et al., 2005). The problems companies have to face are about understanding and implementing changing law restrictions in their normal business activities. How to deal with it and what influence does it have on strategic marketing?

1.3 Research Purpose and Questions

In the light of the discussion above, the purpose of this thesis is to question and discuss to what extent legislation related to sustainability and political bodies’ promotion of CSR influence companies’ marketing strategies.

In order to answer this purpose, the following questions are interesting: What is the legislation on SD and how do political bodies promote CSR? How do marketing strategies in this legal framework look like? What connections exist between marketing strategies and the political vision of CSR and SD?

1.4 Structure of the Thesis

After this introduction, a theoretical framework is presented to the reader. It is about strategic marketing making, marketing in a legal context, sustainable development and CSR. In the methods chapter the procedure the authors of this thesis chose is explained. Also the reasons for particular choices on the analysis are developed in this chapter. Followed by that, a chapter on the empirical work provides information on the chosen example. This is about Sweden, Swedish laws on sustainability and Swedish government’s way to promote CSR, IKEA and IKEA’s marketing. In the analysis the example of the company IKEA and the sustainable legislation system in Sweden are looked upon. It focuses on how the Swedish laws could have impacted IKEA’s marketing and CSR campaigns. Finally a conclusion summarizes the main findings of this thesis and reflects on them.
2. Theoretical Framework

The previous introduction chapter provided the reader with the purpose of this work. This chapter introduces him or her to the theoretical background of strategic marketing and how it is influenced by legislation. The second part of this chapter is about sustainability and corporate social responsibility.

2.1 Strategic Marketing and Strategies

Strategic marketing determines how an organization competes or how it will compete against its competition in a market place. It aims at generating a competitive advantage relative to its competition (Drucker, 1993). In this section it will be divided into general strategy planning and the view of marketing from a legal perspective.

2.1.1 Strategic Market Planning

A firm has a broad set of stakeholders. Marketing and marketing strategies address many of these stakeholders. Those are different groups of people which have contact and different expectations to the company in any possible way (Polonsky, 1995a; Polonsky, 1995b). According to the Nexus-of-Contracts (NCO) Theory, you can also define a company as a complex system/network out of contracts between subsystems which are known as stakeholder groups (White, 1993). These groups are for example shareholders, suppliers, customers, managers and employees, all at the same time. There are different opinions about how a firm should treat them. The Stakeholder Theory says that managers are obliged to serve the different stakeholder groups in a legally and morally correct way without favouring one special group (White, 1993). Therefore strategies have to consider both internal and external stakeholders (Polonksy, 1995a). The focus should not only be on one important group but companies should try to find a consensus to satisfy several stakeholder groups (Doyle & Stern, 2006).

Customers are one of the most important stakeholders. A customer chooses a company over another if it is able to meet his/her needs more effectively than the competitors (Ellis & Williams, 1993). The problem about that is that customers’ needs change, new technologies get developed and competitors do not wait (Doyle & Stern, 2006). Therefore companies should continually change and adapt their strategies and arrange their marketing plans. The idea of strategic market planning is to be “concerned with adapting the organization to a changing environment” (Doyle & Stern, 2006, p. 92).

Hence, the strategic market planning process first has to name a corporate mission as a starting point for the strategy (Gilligan & Wilson, 2009). This has to be broad, visionary and clarify what the business is, who the customers are and which needs of these the business has to meet. The strategic intent is there to inspire the employees and increase their motivation (Ellis & Williams, 1993). The company’s ability of competitiveness has to be clear. The competences of offering a superior value to consumers through innovation, other technologies, reliability and customer satisfaction have to be identified and applied in the strategy (Drucker, 1993).

Another point which has to be planned is that the strategy needs to be activated and implemented by efficient and effective functional policies for manufacturing, positioning, the product line, pricing, promotion and distribution (Cravens & Piercy, 2002).
2.1.2 Components of a Strategy

A strategy is a creative thought, an idea, a concept, or a plan that uses the natural laws to its advantage to turn a potential loss into a victory (Kotler et al., 2005). According to Doyle and Stern (2006) the six main components of a strategy are identified. These can be found in Figure 1 below.

**Figure 1: Components of a Strategy, adapted by the authors of this thesis from Doyle and Stern (2006)**

The *scope of business* deals with the choice of products which will be produced and the choice of markets which will be served (Doyle & Stern, 2006). In reference to Doyle and Stern (2006) the level of vertical integration into these markets is the second step upon which the company has to decide. The company has to ask itself what business it is in and in which one it actually wants to be in (Doyle & Stern, 2006).

The *objectives* are there to identify the firm’s primary stakeholders and establish criteria with which the performance shall be measured, for example shareholder value and growth rate (Ferrell & Hartline, 2010). These objectives can be specific, quantifiable and cover a defined time frame (Gummesson, 2002). In how far is the company customer-led? Is it a bottom-up (customers come first) or top-down (managers decide) organization? It is possible to divide objectives into market share objectives (how much market share does the company have and is it viable?), innovation objectives (in how far does the company innovate more than the competitors?), resource objectives (human resources, capital resources, natural resources, facilities), productivity objectives (is the company efficient?), social objectives (does the company care for the community?) and finally profit objectives (how does the cash flow look like?) (Carneiro, 2000).

**Strategic Business Units** (SBU) are those units in a company which play a specific role in context to the diversity of products, technologies and market segments. They have to be identified and structured into the organization. It is possible to identify a SBU by looking upon the customer group dimension, customer need dimension and technological dimension (Ferrell & Hartline, 2010).

The *resource allocation*, especially among SBUs and product-markets, is a key-element in each strategy. The distribution and provision of resources has to be guaranteed to be efficient and effective (Doyle & Stern, 2006).

A *sustainable differential/competitive advantage* is the second key-element in a strategy. A company can only survive if it is better than the competitors and earns profit. A competitive advantage is securing a company’s position on a market (Smith & Flanagan, 2006). According to
Porter (1998) these can be divided into cost leadership (having lower costs than the competitors), differentiation (having something unique and better than the competitors) and focus (focusing on one segment). Porter (1998) states further that in a strategy it has to be planned and considered which factors make the company better than the others and in how far competitors can copy these advantages. Only if a company can keep this advantage over a long time, it is sustainable (Porter, 1998).

**Synergies** are resources and capabilities that complement and reinforce one another so that double work can be avoided. In consequence innovations & technology development can be faster, costs can decrease, sales increase and human resources management improved (Gummesson, 2002).

These six components are in a close relation to marketing. Kotler et al. (2005) state that it is hard to distinguish between strategy planning and marketing planning. Strategies are considering consumers needs as well as companies capabilities to satisfy these needs and guide with that the marketing mix of the 4Ps (Place, Product, Price, Promotion) (Kotler et al., 2005). Therefore the six components of a strategy can be seen as the basic foundation for marketing and marketing strategies.

**Summary**

In the world of marketing, organizations seek to maximize returns to shareholders by creating a competitive advantage in providing, identifying, communicating and delivering value to customers (Polonsky, 1995a). The challenge of strategic marketing is to manage marketing complexity, customer and stakeholder expectations and to reconcile the influences of a changing environment in the context of a set of resource capabilities (Abell, 1980). To create strategic opportunities and to manage the concomitant changes within the organization is also necessary for a company in general. Drucker (1993) says that if a company wants to be successful, it needs three things: luck, having a genius who runs the business and planning. The planning eventually evolves into a strategy of which six major components have been presented. These are related to marketing and marketing strategies in terms of customer demand and the development of competitive advantages to answer this demand.

2.1.3 Marketing in a legal context

In daily business a company acts within a tolerance zone of its stakeholders by trying to satisfy most of the different interests and expectations (Doyle & Stern, 2006). As one aim of interests groups is also environmental protection (Doyle & Stern, 2006), managers have to consider this in their strategies as well. One stakeholder group is the government and the legal system (Polonsky, 1995b). You can consider them as being non-supportive stakeholders, which means that they can make threats upon the company’s business by for example establishing regulations and restrictions (Polonsky, 1995a). Governments usually expect from companies taxes and employment (Doyle & Stern, 2006). In the context of environmental protection they put pressure on companies to change and adapt their businesses to be more environmentally friendly (Fernández, Junquera & Ordiz, 2006).

Other stakeholder groups expect companies to follow the legal rules. For example customers which are one of the main drivers of marketing and just in accordance to them it is possible to add value to a company’s brand (Belz & Schmidt-Riediger, 2009). Regarding customers, it can also happen that the establishment of environmental marketing regulations is needed to inform these customers properly and protect the competition (Polonsky, 1995a). That could be a voluntary step by companies because preservation of given competition is important for future business. So it is possible to gain competitive advantage through the application of laws.
A further idea is that companies are “legal fictions” which consist only because of corporative laws made by governments (White, 1993). This would mean that everything a company does is based on law, including marketing strategies. The stakeholder approach also argues that managers and/or governments sometimes have to act on the behalf of least-advantaged stakeholders (White, 1993). It is argued that this would bring long-term security. One least-advantaged stakeholder of companies is the environment/ecological system. It can suffer from unwanted negative externalities like for example water pollution. So if managers and governments work together for the sake of this least-advantages stakeholder, they can secure a long term supply of natural resources. Then, this is about long-term relationships, and remembering Gummesson (2002) marketing consists of relationships. Like that the stakeholder approach is an implicit part of relationship marketing (Polonsky, 1995b).

Another approach to link legislation and marketing is a direct connection. A company’s marketing operates in a marketing environment which is expressed by several the company affecting actors and forces outside of the organization (Kotler et al., 2005). Throughout their activities companies respond and interact with their marketing environment. Kotler et al. (2005) divides that into micro- and macroenvironment. The microenvironment is about those actors and forces which influence the company’s capability to satisfy its customers whereas the macroenvironment consists of those factors which influence the microenvironment (Kotler et al., 2005). Such factors are of bigger nature. In accordance to Kotler et al. (2005) political forces belong to a company’s macro environment. It consists of government agencies, laws and other pressure groups (for example NGOs) (Kotler et al., 2005). Laws are consequently a part of marketing planning. Even nearly all marketing activities have to face a broad range of laws and regulations first (Kotler et al., 2005). Examples are restrictions on rivalling behaviour, pricing regulations, rules for advertising and also laws on environmental protection (Kotler et al., 2005). And the trend is actually rising. More regulations and laws are going to exist in the future; managers and marketers have to learn how to understand it at different levels of interaction (Kotler et al., 2005).

In order to keep contact to the outside world and not let opportunities pass by, companies have to follow moral and legal rules (White 1993). In reality legal rules are set by legislators. Many companies consider regulations as being restrictive for their business (Polonksy, 1995a). Belz and Schmidt-Riediger (2009) argue that the more perceived influence legislators have on companies, the more these are willing to pursue an active marketing strategy. It is made clear here again that laws put pressure on companies and impact the marketing planning.

Kotler (1972) states that core marketing activities are transactions exchanged by two parties. However, these exchanges do not have to be necessarily goods or services; they can also be non-material things like time or energy. According to that regulations, restrictions and guidelines can also be transactions between a company and a stakeholder, in this case a government or a NGO. This consideration leads as well to a direct link between legislation and marketing. Here it refers to actual acting, seeing the influence as being operative.

Summary

Main influences on marketing strategies are without doubt consumers and competitors (Belz & Schmidt-Riediger, 2009), leading to the 4-P-marketing view (Product, Price, Promotion, Place). But all in all, legislation can also influence marketing strategies in several ways. It can limit the range of marketing choices, it can represent the basic background for a marketing strategy, and it can also be the operating objective (Kotler et al., 2005). Therefore the influence can be direct or indirect.
2.2 Sustainability and Corporate Social Responsibility

In today’s world of globalization, climate change and overpopulation humans can’t pretend that they don’t affect their environment. Ulrich Beck created the thesis of the risk society. The world’s society is now different from the one 200 years before (Beck, 1992; Matten, 2004). The globalization and modernization process formed unexpected after effects which have no geological borders (Beck, 1992; Matten, 2004). Now societies are exposed to risks which are no longer covered by any kind of existing insurance (Beck, 1993). Humans themselves are responsible for such not calculable and not insurable risks (Matten, 2004; Wagner, 2005). Natural catastrophes, climate change, effects of bio- and chemical weapons and genetic research are examples for incalculable risk-taking (Matten, 2004). A company has to be aware of such risks. The risk society thesis has therefore also influence on environmental management (Matten, 2004) and with that also an impact on management of sustainability and corporate social responsibility. These two are concepts which are concerned with a companies’ interaction with its business, social and natural environment.

2.2.1 Sustainability

The World Commission on Environment and Development (1987) decided that sustainable development is about needs of present and future generations. Therefore the core idea of sustainability is intra- and inter-generational equity (Azar, Holmberg & Lindgren, 1996; Moffatt, 2000). This means that the resource allocation should be equally distributed within this generation and between this and the following generations (Padilla, 2002). From a moral point of view it would be just unfair if the children of this generation will not able to have the same quality of water, air and food as our generation (Crane & Matten, 2007). In accordance to Maslow these belong to the physiological needs and are essential for the existence of human beings (Maslow, 1934).

Sustainability contains three elements: ecology, social progress and economics (WBCSD, 2000). The sustainability triangle shows a connection between these three perspectives (see Figure 2). In a company all three aspects interact with each other in form of corporate sustainability (Schaltegger et al., 2007). Applying this principle to business is a leitmotif (Meffert & Kirchgeorg, 1993).

Figure 2: The Sustainable Triangle (Source: Schaltegger et al., 2007, p.14) – translated by the authors of this thesis
A company which implements sustainable development into its business faces the four challenges of corporate sustainable management (Schaltegger et al., 2007). The aim is to increase the company’s efficiency by taking ecological, social and economical aspects into account in business activities (Schaltegger & Burritt, 2000). The fourth challenge is the integration of all three aspects into the company’s business (Schaltegger et al., 2007).

The ecological challenge is about the diminution of effects on ecological systems (Schaltegger et al., 2007). Managers have realized that pollution and incompetent material utilization cause costs and are inefficient (Porter & Van der Linde, 1995). Ecological damage should be so far reduced that the regenerative capability of natural resources (for example wood) is guaranteed (Schaltegger & Burritt, 2000). The question which is supposed to be answered is: Are we doing the right thing in regard to the ecological environment or is it just a good intention? (Maclean, 2009) For that the aim is the ecological effectiveness (short: eco-effectiveness) and the extent of the impact of the taken action is measured by the ecological efficiency (short: eco-efficiency), for example by the amount of CO2-emissions (Schaltegger et al., 2007).

The social challenge deals with society’s acceptance of a firm’s actions and the pursuit of social justice (Crane & Matten, 2007; Schaltegger et al., 2007). Social services for employees like gender equality, political commitment, support of cultural activities and risk avoidance at the working place are adding to the company’s value and good will. Also a company’s reputation and brand image can profit from social actions. But for example people’s satisfaction with their jobs is a qualitative factor; therefore the social progress cannot be expressed in numbers and the socio-effectiveness is not easily measurable (Schaltegger et al., 2007). This is a research field of indicators which is still improvable (Azar, Holmberg & Lindgren, 1996).

The overall economical efficiency is the third challenge (Schaltegger et al., 2007). It combines the first two ones and is measured by the economical-efficiency, shortly: eco-efficiency (WBCSD, 2000). From a traditional view, it is supposed to add value to the good will and improve the profitability of future growth (Crane & Matten, 2007; Schaltegger et al., 2007). However, from the sustainable point of view, eco-efficiency is about operating in an ecologically and socially way (WBCSD, 2000). It measures the ratio of the creation of value of products or services by a firm which is divided by the ratio of the impact on the natural environment caused by the same firm (Schaltegger & Burritt, 2000). Movements to reduce harm done by the company can be in the sectors of production (recycling, innovation) or in marketing (fair trade, considering consumer’s choices for green products) (Schaltegger et al., 2007).

The last and most difficult challenge is the integration of all three elements of sustainability and their realization (Schaltegger et al., 2007). The right coordination of all tools has to be chosen and this can vary for each company as Schaltegger et al. (2007) claims. Such a correct integration into the daily business can be done with the help of an environmental management system (short form: EMS) (Freimann & Walther, 2001; WBCSD, 2000). An EMS is a tool which ensures to identify and manage all opportunities and risks related to sustainability (WBCSD, 2000). The most famous is the one released by the International Standard Organization (short form: ISO) (Robinson & Clegg, 1998).

As far as a company can successfully manage those challenges above, it can realize new chances of preserving its competitiveness (Schaltegger et al., 2007). In accordance to Schaltegger et al. (2007) risk preservation and avoidance help to sink costs and increase transparency in the social area. This pursuit a better image and attracts more shareholders (Almazan, Suarez & Titman, 2009; Fombrun & Rindova, 2000).
Corporate Social Responsibility

The second concept in connection to compromising needs of generations and changing risks/environment is Corporate Social Responsibility. This is meeting the demands of society by changing the corporate objectives in order to become more socially responsible (Polonsky, 1995b). For a company to operate actively with CSR means to invest on a voluntary basis into human capital, environmental protection and social growth (EU Commission, 2001). From a practical view, a firm implements willingly social and ecological aspects into the daily course of operations. It is stated that “CSR is a corporate contribution to sustainable development” (Kleine & Hauff, 2009, p.517). CSR is classified into an internal and an external dimension (EU Commission, 2001).

The internal one is about aspects concerning human resources, management style and security & health (EU Commission, 2001). In the sector of human resources CSR aims to prevent unemployment (EU Commission, 2001) and discrimination of minority groups (Mullerat & Brennan, 2005). The management style should be cooperative and the interests of all people who are in contact with the company ought to be considered (EU Commission, 2001; Carroll, 1991). Security & health are a major issue for third world countries. Generally referring to the EU Commission (2001), it can be said that there is lack of social regulations in these countries to which companies like to outsource. Then it is up to the company to decide upon its self-regulation to keep the high standards in security & health matters of industrialized states or to act “unsocial” (EU Commission, 2001).

The external dimension of CSR deals with the relationships to business partners, customers, suppliers and local communities (EU Commission, 2001). Companies should be aware of their labour practices and consumer issues (Pojasek, 2010). Also one aspect of CSR activities is dealing with complaints on global environmental problems and human rights in general (EU Commission, 2001).

Summary

Making profit is needed to be able to survive in a market economy (Gummesson, 2002). By doing that, a company has to respect the provision of jobs, reducing pollution and welfare of the society (Ministry of Sustainable Development, 2006). In terms of sustainability ecological, social and economical factors are adapted to companies’ business activities. Furthermore this adaption can lead into the development of a competitive advantage (Robinson & Clegg, 1998). To sum up becoming sustainable means to improve the quality of life (WBCSD, 2000) for this and following generations.

From an external view CSR is a question of ethics (Crane & Matten, 2007). Especially the respect to human rights can be decisive about a firm’s reputation. Human rights are sometimes disregarded in third world countries in sections like the conditions of working places and security standards (EU Commission, 2001). From an internal view CSR aims at improving the quality of the work and creating a win-win situation for employer and employee (Kleine & Hauff, 2009).
3. Methods

In the previous chapter the theories related to the research purpose were presented. The methods chapter provides a structure for answering the research purpose. In this section, the methods which were used to collect information for the research are described. The authors of this thesis review how the process of collecting data was undertaken. They also discuss potential shortcomings of their research methods. Further, the chapter also contains a validity and reliability analysis.

3.1 About the Research Purpose

According to Saunders, Lewis and Thornhill (2006) there are three purposes of carrying out research: exploratory, descriptive and explanatory.

**Exploratory research** aims to formulate and define a problem, often expressed as a hypothesis. It also guides the researcher in the questions posed, as well as in the previous studies that are done in the same area (Lundahl & Skärvad, 1992). This kind of research is flexible and adaptable, which means that researchers using exploratory research must be ready to alter their research directions as new data or insights might arise (Saunders, Lewis & Thornhill, 2006). The purpose of an exploratory study is to gather as much information as possible about a specific problem (Patel & Tebelius, 1987). This type of study is often used when a problem is not well known, or the available knowledge is not complete. The information is often collected in a verbal form. Furthermore, exploratory studies tend to start with a wide research area, and narrow down as the research develops (Patel & Tebelius, 1987).

The purpose of a **descriptive study** is to provide a description of different patterns that were expected during the exploratory stage, connected to individuals, situations or happenings that occur (Patel & Tebelius, 1987). Descriptive research presents a complete description of a phenomenon within its context. The purpose could be to develop empirical generalizations and to explain these. This leads to a development of theory (Yin, 2003).

The goal of the **explanatory research** is to develop a theory that could be used to explain the empirical generalization that was developed in the descriptive stage (Saunders, Lewis & Thornhill, 2006). From this, the researcher formulates hypotheses that are tested empirically and these then are suggestions on the relation between two phenomena (Patel & Tebelius, 1987). Explanatory research focuses on cause-effect relationships, explaining what causes produced effects. This type of study is mostly used within areas where extensive research already has been done (Johnson, 2000).

In chapter one the following purpose of this study was stated: The purpose of this work is to question and discuss to what extent legislation related to sustainability and political bodies’ promotion of CSR influence companies’ marketing strategies. Considering our stated research purpose this study could be defined as being exploratory, descriptive as well as to a small extend explanatory. The exploratory phase applied because of limited knowledge about the area in the field of the research. The authors of this thesis wanted to gain as much information as possible within the specific problem area. Next this study evolved to become descriptive as it sought to describe the patterns discovered in the initial exploratory stage. In the explanatory stage it was tried to explain the results that were gained in the two previous stages, by drawing conclusions - answering the before mentioned research questions.
3.2 Research Approach: Qualitative vs. Quantitative

Research may be categorized into two distinct types: qualitative and quantitative (Patel & Davidson, 1994). Both types are aimed at creating a better understanding of the society and to comprehend how individuals, groups and institutions act and have an influence on each other (Holme & Solvang, 1997). In a discussion about social science, researchers often strive to combine the qualitative and quantitative methods with the aim to reach an as comprehensive way of looking at the research as possible (Wiedersheim-Paul & Eriksson, 1997).

In quantitative research the researcher is systematically collecting comparable, empirical and quantifiable data about several research areas within a chosen category (Amaratunga, Baldry, Sarshar & Newton, 2002). The researcher has decided what questions should be asked without considering whether the respondent might find them important or not. Then he/she presents this data in terms of numbers and figures that are summarized into statistics. Results and possible patterns are analyzed from several, earlier stated hypotheses (Holme & Solvang, 1997). In reference to Nardi (2002) characteristic features of this method are selectivity and at distance to the source of information. The numbers of target investigators are many and usually a generalization from the gathered information is made (Nardi, 2002). Quantitative research is usually used in studies with clearly stated hypotheses which can be tested (Nardi, 2002).

Qualitative research concentrates on words and observations to express reality and attempts to describe people in natural situations (Tull & Hawkins, 1990). The purpose of this approach is to gain a deeper understanding and description of a problem, through gathering and analyzing detailed data of ideas, feelings and attitudes that cannot be quantified. A qualitative survey is characterized by a great closeness to the respondents or to the source that the data is being collected from. By using the qualitative method, it is the researchers’ perceptions and interpretations that are in focus in the form of frame of reference or motives (Holme & Solvang, 1997). Additionally, qualitative results are said to be deep, rich, and meaningful, as they tend to take into account differences between people (Amaratunga, Baldry, Sarshar & Newton, 2002).

The method which was found to be most suitable for this research is the qualitative type. The authors of this thesis chose this method because they aimed to reach a better understanding of the studied phenomenon. The purpose was not to analyze data in the form of numbers statistically but to analyze data in the form of words. There was a discussion and interpretation of possible connections between a certain law framework and certain marketing strategies which could possibly be based on a specific law and developed right after the passing of the law. This is another reason why a qualitative method was the best alternative for this thesis.

3.3 Research strategy

The research strategy is the plan of how the author should carry out the answering of the research questions stated previously (Saunders, Lewis & Thornhill, 2006).

There are a number of different ways of collecting and analyzing empirical evidence. Yin (2003) lists five research strategies that are applied in social sciences. These are: experiments, surveys, archival information analysis, histories and case studies. The boundaries between the strategies are not always clear and sharp. Each strategy possesses its distinctive characteristics but here are large areas of overlapping. All these research strategies have their specific advantages and disadvantages. However, these advantages and disadvantages depend upon three conditions; the type of research questions, the extent of the control the investigator has over actual behavioral events and the degree of focus on contemporary as opposed to historical events (Yin, 2003). The connection between these conditions and the five different ways of conducting research are presented in Table 1 below.
The purpose of this thesis is to investigate how legislation related to sustainability and political bodies’ promotion of CSR influence companies’ marketing strategies. Due to this, the researchers, did not require the control over behavioral events. Furthermore, it focuses on contemporary events so history is not suitable either. Yin (2003) writes that “surveys or the analysis of archival records are advantageous when the research goal is to describe the incidence or prevalence of a phenomenon or when it is to be predictive about certain outcomes. This leaves us with only one research strategy, the case study” (Yin, 2003, p.7).

“In general, case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events and when the focus is on a contemporary phenomenon within some real-life context“(Yin, 2003, p.1). Characteristics of a case study are that it provides a realistic description and it makes it possible to investigate many different variables. Case studies give detailed knowledge about the problem but it might be difficult to generalize from the conclusions that are drawn (Holme & Solvang, 1997). A major distinction when designing a case study is the difference between single- and multiple case designs. This means that a researcher has to decide whether to do a single or a multiple case before conducting the data collection (Wiedersheim-Paul & Eriksson, 1997).

Case studies also go in line with the selection of the qualitative research method. By limiting the research to include only one object and further looking at few issues from different perspectives, it was possible to gather the in-depth information needed to be able to answer the stated research purpose and research questions. Due to these advantages, this research was meant to use a strategy of a single-case study. Meaning to do that the authors of this work started their research. But while approaching it, the researchers had to realize that such a study is too complex and goes too much into depth as that it could be possible for them to realize it with the options they had to collect data which was needed for it. Therefore this work is only scratching the surface of an actual case study that was meant to be. The idea of a case study approach is now used as an example to illustrate the field of examination. Several reasons are explained further in the next subchapter.

3.4 Data collection methods

According to Wiedersheim-Paul and Eriksson (1997) there are two categories of collecting data, secondary and primary. Secondary data is the data which has already been collected, put into format and published by other authors in magazines, books and other forms of written or digital forms. Primary data on the other hand is the data which researchers are supposed to collect and write by their own.

The method which seemed most suitable for the research of this thesis is a mixture of primary and secondary research. Through secondary research it is possible to find arguments done by

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>Form of Research Question</th>
<th>Requires Control of Behavioral Events?</th>
<th>Focuses on Contemporary Events?</th>
<th>Contemporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>how, why?</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Survey</td>
<td>who, what, where, how many, how much?</td>
<td>NO</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Archival analysis</td>
<td>who, what, where, how many, how much?</td>
<td>NO</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>History</td>
<td>how, why?</td>
<td>NO</td>
<td>NO</td>
<td></td>
</tr>
<tr>
<td>Case study</td>
<td>how, why?</td>
<td>NO</td>
<td>YES</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: Relevant Situations for Different Research Strategies (Source: Yin, 2003, p.5)
others authors and use these to justify own ideas while through primary research it is possible to create an own link between marketing and laws and evaluate an own interpretation (Wiedersheim-Paul & Eriksson, 1997). Unfortunately only a secondary research was possible for the authors of this thesis. This will be explained further later. But that limitation of data collection also lead to the diminished possibility of doing a case study.

The data collection process for case studies is more complex than those used in other research strategies. If the researcher chooses to conduct a case study he/she needs to maintain a methodological versatility. This versatility is not necessarily required when other strategies are used. To assure quality control during the data collection process the researcher also needs to follow certain formal procedures (Yin, 2003). That is a reason why this work is only approaching a case study but could not finally evolve into a real case study. The data collection process which was needed for a real case study was too complex for the authors to be realized.

Anyway, for case studies data can be collected in six different sources of evidence (see Table 2): documentation, archival records, interviews, direct observations, participant-observation and physical artifacts (Yin, 2003). To use these as an orientation for the case study approach was useful for the authors of this study.

<table>
<thead>
<tr>
<th>Source of Evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| Documentation       | • Stable: can be reviewed repeatedly  
• Unobtrusive: not created as a result of a case  
• Exact: contains exact names, references and details of an event  
• Broad coverage: long span of time, many events and many settings | • Retrievability: can be low  
• Biased selectivity: if collection is incomplete  
• Reporting bias: reflects (unknown) bias of author  
• Access: may be deliberately blocked |
| Archival Records    | ♦ (Same as above for documentation)  
♦ Precise and quantitative | ♦ (Same as above for documentation)  
♦ Accessibility due to private reasons |
| Interviews          | • Targeted: focuses directly on case study topic  
♦ Insightful: provides perceived causal inferences | • Bias due to poorly constructed questionnaires  
♦ Response bias  
♦ Inaccuracies due to poor recall  
♦ Reflexivity: interviewee gives what interviewer wants to hear |
| Direct Observation  | • Reality: covers events in real time  
• Contextual: covers context of event | • Time consuming  
• Selectivity: unless broad coverage  
• Reflexivity: event may proceed differently because it is being observed  
♦ Cost: hours needed by human observers |
| Participant Observation | ♦ (Same as for direct observations)  
♦ Insightful into interpersonal behaviour and motives | ♦ (Same as for direct observations)  
♦ Bias due to investigator’s manipulation of events |
| Physical Artifacts  | ♦ Insightful into cultural features  
♦ Insightful into technical operations | ♦ Selectivity  
♦ Availability |

Table 2: Six Sources of Evidence: Strengths and Weaknesses (Source: Yin, 2003, p. 86)

The authors of this research used for this study documentation as a source for their secondary data collection. The other five sources were not used because of impossibility of retrieving them. The advantage of documentation was that the information can be reviewed easily and stably.
Also it is detailed in terms of names, references and other facts. But the authors were also aware of the weakness of pre-dispositional selectivity if the collection is incomplete.

The first data collection concentrated on the choice of the legislation. Law frameworks exist in all countries. For this the authors of this thesis chose the country Sweden. This is because Sweden is ranking in the top positions of statistics on sustainable development/CSR and there might be a link to the laws concerning this in Sweden. For the collection of the outline of the different laws the government side and searching Notisums Lagbok on notisum.se, was used. So the documentation technique was applied. Understanding problems did not occur. Most of the Swedish Acts are translated into English by Swedish Statutes in Translation. Those which are not, can be still looked through in the Notisums database in Swedish language of which one of the authors has basic knowledge in.

The second data collection concerned the chosen company. For that IKEA has been chosen because it is originally from Sweden. Further, it works with natural resources, for example wood. Another factor is that it is a global player and labour standards are different around the world. Next one is that the company uses extensive networks of suppliers, employing millions of people worldwide and particularly in developing economies. IKEA is working and retailing from third world countries in which aspects of CSR as for example human rights are an important discussion. The last reason for choosing IKEA is that the company has its own manufacturing division Swedwood which produces about 30% of its products. In that way IKEA does not buy too many trees from other distributors who could have their wood from areas which are protected or similar things.

The authors of this thesis meant to use several methods to collect data on IKEA. First a primary research was meant to be done by an interview with a reliable and important employee of the IKEA Company to find out what the strategy is and how it can be related to the laws. Unfortunately the interest in helping to contribute to this research was very small so that the authors had to choose a different research strategy. That is another reason why this study could not become a real case study, not enough meaningful data could be collected. Now a research was done by visiting the IKEA homepage and a collection of IKEA’s marketing activities which represent the top of the strategy. This research was used to collect secondary data which could not be collected via primary research. It helped to find information on IKEA’s marketing strategies.

Further secondary research happened through the help of the internet and databases as SpringerLink.com, Wiley InterScience and Science Direct. Search machines as Google.Scholar were used in order to find academic articles. The idea of the search was to find articles related to the key words “marketing strategy”, “legislation”, “Sweden”, “sustainable development”, “CSR” and “IKEA”. Reviewed have been books, articles, internet pages and thesis papers of other researchers.

3.5 Data analysis

Miles and Huberman (1994) write that in the qualitative data analysis the focus is on the data in the form of words. These words require some sort of processing which is a form of analysis. They have defined that data analysis is consisting of three concurrent flows of activity:

1. Data reduction should not be considered to be separated from the analysis, but as a part of it. This reduction of the data is the analysis that helps to sort, focus and organize the data in a way that allows for “final” conclusions to be drawn and verified. The researchers meant to reduce the amount of used sources in the empirical part and used only those which seemed to be relevant for the analysis.
2. **Data display** includes taking the reduced data and displaying it in an organized way so that conclusion can be more easily drawn. Good displays are the major avenue to valid qualitative analysis (Miles & Huberman, 1994). With a very structured way the authors of this thesis tried to display the collected data as understandable as possible.

3. **Conclusion drawing and verification** is the third and final stage of the data analysis. In this stage the researcher starts to decide what the different findings means. This is done by noting regularities, patterns, explanations, possible configurations, causal flows and propositions.

In the analysis of this research, the aim was to find a connection to the actions undertaken by IKEA since the beginning of the 1990s to the law framework in Sweden. This time framework was chosen because it was the beginning of IKEA’s activities in the field of CSR and environmental protection.

This study involved the analysis of data offered on the homepage, as well as the review and use of documentations, such as annual reports and brochures, from the IKEA Company. In addition to that the authors reviewed other research studies on the same issues and on IKEA. The found data was analyzed against the emerged theory to find the intended link. Directly this was for the authors of this thesis not possible as for that necessary primary data was not available. So in other words, the outcome of the marketing strategy, the marketing activities, was used instead for the analysis on the link to the legislation. This result was then the basis for a further analysis on similarities and divergences between the theoretical and the empirical parts. Here the authors of this thesis drew conclusions from the linkage between the law and the activities to the marketing strategy which was researched by other authors. Eventually the researches came up with findings which composed the basis for the conclusion and answers for the research questions.

3.6 **Reliability and Validity**

To determine the trustworthiness and the quality of the gathered data there are two factors that have to be taken into consideration, **reliability** and **validity**. There are four tests commonly used in qualitative research in order to determine the quality of the data collected: **construct validity**, **internal validity**, **external validity** and **reliability** (Yin, 2003).

When establishing **construct validity**, the researcher makes sure that correct operational measures are utilised for the concepts being studied. Yin (2003) writes that there are three tactics available in order to increase construct validity. The first one is the use of multiple sources of evidence, which is of great importance while collecting data. The second tactic is to establish a chain of evidence. A third tactic is to have the draft report reviewed by key informants.

In some parts of this research two sources are displayed more often than others, these are Doyle & Stern and Schaltegger. These two have been key authors in previous university studies of the authors of this research who rely on their previously gained knowledge through the works of Doyle & Stern and Schaltegger.

"**Internal validity** is only of relevance when conducting explanatory studies. It is used for establishing a causal relationship, whereby certain conditions are shown to lead to other conditions” (Yin, 2003, p.35).

For this study internal validity is not important because the authors do not seek the goal of establishing a theory for generalizing empirical research and do not formulate hypotheses for that.

**External validity** deals with the establishment of the domain on to which a study’s findings can be generalised (Yin, 2003). Moreover, Yin (2003) describes that it deals with the problem of knowing whether the findings of a study are generalisable beyond the immediate case study and
with the problems of selecting a representative case or set of cases. The replication logic is used in multiple case studies and if similar results are obtained through several case studies, replication is achieved (Yin, 2003).

On the one hand, generalisation from the certain example of IKEA to other Swedish companies is thoroughly problematic. IKEA is a unique concept and differs very much from other furniture retailers. But then again, generalisation from IKEA in Sweden to IKEA in another country with another law framework is possible because this company usually works globally in its strategy but also persuades local customization.

The reliability is a way of measuring how well a method provides a researcher with the same results, if the method were to be repeated under the exactly same conditions. Judgements of validity measures how valid the collected data is, whether the methods used to gather data measure or explain what the researcher states to measure or explain (Yin, 2003). However, high reliability does not necessarily mean high validity. The goal of reliability is to minimise the errors and biases in a study (Yin, 2003).

Through the use of secondary data the retrieval of the same data and results is higher than through an interview which depends on time, situation and the mood of the interviewer/interviewee. By not doing an interview the authors avoided suggestive questions and a push towards what the research was looking for. If other researchers look into the same sources they will find the same information, they might interpret it differently though. So the reliability is not harmed by the way the authors of this thesis chose.

The measurement instrument of this study is words, a qualitative research, which requires interpretation. The researchers were aware of shortcomings which might emerge from a wrong interpretation. Hereby it is stated that the analytical work of this study was done by the researcher’s ability to interpret the context of laws and the promotion of marketing activities. The result can differ from what other researchers might find out.

High reliability does not automatically lead to high validity. How can the sources which were used be trusted? Trustworthiness the authors tried to reach via a careful segregation of sources. The data collection was based on the homepage, as well as the review and use of documentations, such as annual reports and brochures from the IKEA Company. The information taken there was considered to be valid. The authors of this research cannot take any responsibility for mistakes on the internet page or in other documentations, in case the used information from there was wrong.

The work is more trustful also because of the relevant literature which was used to build the theory framework and to support empirical findings. Only books published by serious publishers and journals of trade press and not the gossip press were reviewed. Especially with the information drawn from other researches carefulness was obligatory. The theses which were used as sources for this research are all written at universities in Sweden and as we, the researchers, believe the standard of education and research at Swedish universities to be high, we could trust them.

Summary

This study was a qualitative research based on the example of IKEA and the laws in Sweden. The data collection on the law contained the Swedish laws and other political tools in the context of sustainability and CSR matters. Further secondary data concerned the chosen company IKEA and the collection of its activities. For the whole study books, articles and the internet were used to retrieve data. In total, the validity and reliability of this study is believed to be existent.
4. Empirical Data  
This chapter is about the collected data on Sweden’s attitude towards sustainability and CSR, its legislation and the company IKEA as well as IKEA’s marketing in connection to sustainability and CSR.

4.1 Empirical Data on Sweden  

4.1.1 In general about Sweden and Sweden’s attitude towards sustainability and CSR

Belonging to the Scandinavian countries in the North of Europe, Sweden’s geographical area measures 450,294 sq km and the population amounts to ca. 9.33 millions (Swedish Institute, 2010). In the last quarter of the year 2009 the GDP accounted to 741 362 billions SEK (Riksbank, 2010).

The standard of living in Sweden is one of the highest in the world. That also explains the long life expectancy, for men it is 79 years and for woman 83 years. Gender equality is a cornerstone of Sweden’s multicultural society. In the Global Gender Gap Report 2009 Sweden ranks as one of best countries which guarantee gender equality. (Swedish Institute, 2010)

In general the Swedish society is considered to be environmentally friendly and promotes a sustainable way of living (Swedish Institute, 2010). “Green” facts are that renewable energy covers one third of all energy consumption in Sweden and that up to 96% of household waste is recycled as material or as energy (Swedish Institute, 2010). It is therefore not surprising that Sweden is a leader in recycling. For example in 2008 1.4 billion cans and bottles were returned. (Swedish Institute, 2009)

Also the organic market is a growing field in the consumption trend among Swedes. Eco-labels are popular and guarantee the consumer that the good or service is having an acceptable environmental impact during its life cycle. (Swedish Institute, 2008b)

Sweden is also one of the greenest countries in the world. Forests cover most of the geographical area; this is about 53% (Swedish Institute, 2010). This ecosystem is regarded to be a national treasure and therefore deserves to be protected (Miljömal, 2009; Swedish Institute, 2010). So-called “green cities”, for example Stockholm and Växjö, offer a good quality of city life with cleaner air, less noise distribution and many green parks (Swedish Institute, 2010; Swedish Institute, 2009).

The country is also a pioneer in the research and development of future oriented technologies; therefore the exports in environmental technologies for example are a growing industry (Swedish Institute, 2010). Waste recycling and the use of renewable energy are major factors in environment protection. The main capabilities of the Swedish environmental technology sector lie in the production of system solutions for waste management and renewable energy efficiency. (Swedish Institute, 2008b)

Another point in which Sweden is heading towards the future is the reduction of carbon dioxide emissions. From 1990 until the year 2006 the country managed a declination of 9%, between 1996 and 2006 even 16%. (Swedish Institute, 2008b)

Further, the NPO AccountAbility names Sweden to be the most progressive country in the world in terms of gender equality in its report on the Responsible Competitiveness Index from the year 2007 (Swedish Institute, 2008). Sweden ranks first place in this Index that is showing the degree of social responsibility on the basis of several indicators among companies in 108 countries. These indicators were for example how the companies deal with energy efficiency, working
conditions and child labour. This result shows that Swedish companies are concerned about their social responsibility. (Swedish Institute, 2008; Ahlberg, 2009)

4.1.2 The Swedish Government and Sustainable Development

a) The system of government in Sweden

In reference to the Ministry of Justice (2007a) the political system is described as a constitutional monarchy in combination with a parliamentary democracy in which the form of government is representative. By the Swedish constitution it is declared that all public and political power is carried out by the folk (Swedish Institute, 2007). This folk are represented by the Swedish parliament, the Riksdag (Ministry of Justice, 2007a). The Swedish parliament is the highest decision making body in the country (Miljömål, 2009). It is uni-cameral and has 349 members which are elected by all citizens over 18 years old every four years (Swedish Institute, 2007).

The government is the executive of the parliament’s decisions and is the official ruler of the country. The Swedish monarch does not have any formal power. Several ministries are responsible for preparing governmental decisions. For certain issues the government can appoint a commission whose main concern is to examine the certain problem of the issue and find a solution. (Swedish Institute, 2007; Ministry of Justice, 2007a)

The parliament is also the legislative body (Swedish Institute, 2007). It has to be distinguished between primary and secondary legislation: there are certain affairs which can only be made into laws passed by parliament and there are less relevant ones, called ordinances, which are provided by government. The later only happens if the government has authority on the basis of the constitution or a parliament delegation to do so. (Ministry of Justice, 2007b)

For laws the government is the primal initiator (Ministry of Justice, 2007b). The actual process can be found in Figure 3 below.

![Figure 3: The law-making process in Sweden (Source: Ministry of Justice, 2007b)](image)
b) The Ministry of the Environment

Responsible for the goal of achieving sustainable development is the Ministry of the Environment, formally named the Ministry of Sustainable Development (Ministry of the Environment, 2008; Ahlberg, 2009). Its main task is to coordinate the policy on environmental issues (Swedish Institute, 2008b). Areas of priority are the change of climate, support of new technologies and the preservation of the living seas (Ministry of the Environment, 2008). The organization of the Ministry of the Environment can be found in Figure 4.

![Organization of the Ministry of the Environment](Source: Ministry of the Environment, 2008)

For this thesis the interesting part of the organizational structure of the Ministry of the Environment is the Division for Sustainable Development. It exists since 2005 (Ahlberg 2009). It coordinates the Ministry’s national & international work and the Government Office’s on SD. In addition to that, the division also coordinates and takes responsibility for, for example, building issues in connection to sustainable urban development, housing policy and environmental policy, and the application and impact of environmental policy instruments. (Ministry of the Environment, 2008)

c) Swedish National Strategy for Sustainable Development

A national strategy for achieving sustainable development in Sweden exists. The first one was outlined in 2002, revised in 2004 and 2006, as an overall long-term objective of the government policy (Ahlberg, 2009). The strategy covers all three areas of sustainability: the ecological, the social and the economical. The basic view for the strategy is that social justice and environmental protection are leading to a functioning economy and economic growth. Through innovation and progress in new ways of energy supply economic growth and job creation are stimulated. Hence, sustainable development can be regarded as a key function for Sweden’s upcoming economic opportunities. (Ahlberg, 2009; Ministry of Sustainable Development, 2006)

87 indicators to measure sustainable development in Sweden were introduced by Statistics Sweden in the areas: health, sustainable consumption and production, economic development, social cohesion, environment and climate and global development (Ahlberg, 2009). Out of these, 12 headline indicators are used to describe the trends in Sweden and how they are likely to develop, positive +, negative – or neutral +/- . Such indicators and their trends are for example the employment rate (+/-), energy efficiency (+) and risk of poverty (-). Problematic may be that
some trends are positive but not effective and satisfactory enough. Of special concern is that in addition of the trend also the value of the indicator has to be considered. A positive trend is not automatically positive in total, though it does so if the indicator is a good one. (Ministry of Sustainable Development, 2006)

The strategy portrays the efforts which are going to be done to meet the strategic challenges of:

**Building sustainable communities** (Activities in urban planning, infrastructure, housing and environmental protection are parts of this challenge and lead to the provision of good living conditions.),

**Encouraging good health on equal terms** (Access to health facilities shall be available for everyone regardless distinctive factors as gender, age or heritage. It is believed that for example good health conditions at the workplace improve economic growth and lead to further progress of health conditions.),

**Meeting the demographic challenge** (A changing demography influences an economy in several ways, positive in form of other/new qualified labor-force and in form of negative impact on public services/social insurance-system. The tax-financed welfare-system still has to function in the future and provide all inhabitants with the same quality of life.),

**Encouraging sustainable growth** (Making sustainable growth to a key objective means for the Swedish government to promote the cohesion of sustainability & social welfare and to work on the increase use of renewable energy supply to that Sweden can get independent from oil and other fossil materials like it in the future.) (Ministry of Sustainable Development, 2006)

To face these challenges, initiatives which enable synergies have to operate on local, regional, national and global levels (Ahlberg, 2009). Both opportunities and threats are covered by the try to apply the challenges to reality. Hence, SD in Sweden is used as a method, an objective and an approach for market dynamics. (Ministry of Sustainable Development, 2006)

d) **Sweden and SD/CSR in an international context**

The Swedish strategy for sustainable development defines SD as a key objective from a national and international view. Swedish policy sees itself as obliged to function as a promoter for sustainable development in the world. (Ahlberg, 2009; Ministry of Sustainable Development, 2006)

Since 1995 Sweden is a member of the European Union. While holding the presidency of the European Union Parliament, Sweden initiated 2001 the EU strategy for sustainable development (Ahlberg, 2009). It set priorities and challenges until the year 2010, for example on the climate change & clean energy, sustainable consumption & production, and conservation & management of natural resources (European Commission, 2010).

Also in terms of promoting CSR Sweden is a good international example. In 2002 the Swedish Prime Minister and other ministers introduced The Swedish Partnership for Global Responsibility whose mean it was to promote OECD Guidelines for Multinational Enterprises among Swedish companies (Ward, 2005). From 2006 till 2009 a government bill, named: A National Action Plan for Human Rights, was in force (Ministry of Justice, 2006). According to the Ministry of Justice (2006) it is a governmental approach in setting measures in promotion of human rights and focus on protection against discrimination. Taking another example, CSR Sweden is a company network promoting and inspiring CSR among partner companies in and outside Sweden (CSR Sweden, 2010). In further improvement the Swedish government meant to point out the will to promote CSR also for activities abroad and established 2007 a
cooperation with one of the biggest trading partners, China, to the regard of human rights and basic working conditions (Ahlberg, 2009).

4.1.3 Swedish legislation in the area of environment protection, sustainable development and corporate social responsibility

Sustainable development is promoted to be a key objective of the Swedish government (Swedish Institute, 2010; Ministry of Sustainable Development, 2006). Therefore Sweden is a leading example in this subject area. It was the first country to demand sustainability reports from all 55 state-owned companies (Swedish Institute, 2008; Ahlberg, 2009). It was also the first to introduce a function for CSR in the governmental bodies (Swedish Institute, 2008).

In 1997 the Swedish government introduced the first outline of the present energy policy which was meant to promote a cost-effective and ecologically sustainable use of energy (Swedish Institute, 2008c). Other economic instruments which are used by the government are environmental taxes and fees. Most of these taxes and fees companies in the transport and energy sectors have to pay. Such are therefore taxes on energy use, carbon dioxide and sulphur emissions which represent about 95% of the state’s tax income. Further ones are for example taxes on the use of pesticides and fertilizers, the nitrogen dioxide charges, the landfill tax on waste and environmentally differentiated fairway dues for ships. Between 2001 and 2008 the Swedish state increased the tax burden on non-eco-friendly consumption which means primarily on energy and carbon dioxide. (Ministry of the Environment, 2009)

In the following the core piece of the Swedish environmental policy, the Environmental Code, is described. In the second step the authors present additionally a small outline of other laws and ordinances in this sector.

4.1.3.1 The Environmental Code and the 16 environmental quality objectives

An environment policy containing 16 quality objectives was set up by the Swedish legislation in 1999 and updated in 2005. These environmental quality objectives are about the goals which are necessary to achieve sustainable development in terms of management of natural resources, safeguarding ecosystems and the preservation of cultural heritage. The government is taking full responsibility for the reach of these objectives. It established the Environmental Objectives Council as a main coordinator of different governmental actions and governmental agencies’ work. (Miljömal, 2009; Ministry of the Environment, 2000a)

In detail, the 16 environmental quality objectives can viewed at in Table 3 on the following page.

With the aim of reaching the objectives stated in Table 3 by the year 2020 the Environmental Code was adopted in the year 1999 (Swedish Institute, 2008b). This was the first environmental legislation instrument introduced in Sweden (Miljömal, 2009) and replaced 15 previous Acts (Ministry of the Environment, 2000b). It is a framework law which contains 33 chapters about general rules on the treatment and caress of the natural environment. Every action which can be regarded as polluting soil, air and water is made liable according to the polluter pays principle. (Swedish Institute, 2008b; Ministry of the Environment, 2000a; Ministry of the Environment, 2000b)
### Table 3: The 16 environmental quality objectives, adapted from the sources: Miljömal, 2009 and Ministry of the Environment, 2000a

<table>
<thead>
<tr>
<th>Objective</th>
<th>Indicated by (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced climate impact</td>
<td>greenhouse gas emissions, wind power electricity</td>
</tr>
<tr>
<td>Clean air</td>
<td>benzene/nitrogen dioxide in the air, nuisance from wood smoke</td>
</tr>
<tr>
<td>Natural acidification only</td>
<td>sulphur/nitrogen deposition and dioxide emissions</td>
</tr>
<tr>
<td>A non-toxic environment</td>
<td>pollutants in breast milk, nickel allergy</td>
</tr>
<tr>
<td>A protective ozone layer</td>
<td>skin cancer – malignant melanoma, UV radiation</td>
</tr>
<tr>
<td>A safe radiation environment</td>
<td>radon in apartment buildings/schools</td>
</tr>
<tr>
<td>Zero eutrophication</td>
<td>ammonia/NOx emissions, driving distance by car</td>
</tr>
<tr>
<td>Flourishing lakes and streams</td>
<td>new buildings near lakes and river banks, protected lakes</td>
</tr>
<tr>
<td>High-quality groundwater</td>
<td>chloride in groundwater, use of de-icing salt</td>
</tr>
<tr>
<td>A balanced marine environment, flourishing coastal areas and archipelagoes</td>
<td>fisheries, phosphorus/nitrogen in the sea</td>
</tr>
<tr>
<td>Thriving wetlands</td>
<td>artificial wetlands, protected wetlands</td>
</tr>
<tr>
<td>Sustainable forests</td>
<td>protected forest land, old forest which are rich in broad-leaved trees</td>
</tr>
<tr>
<td>A varied agricultural landscape</td>
<td>mown meadows, arable land</td>
</tr>
<tr>
<td>A magnificent mountain landscape</td>
<td>number of reindeers/wolves in the mountain area</td>
</tr>
<tr>
<td>A good built environment</td>
<td>recycling, sleep disturbance from transport noise</td>
</tr>
<tr>
<td>A rich diversity of plant and animal life</td>
<td>breeding birds of the forests/wetlands/farmlands</td>
</tr>
</tbody>
</table>

As it is a framework law, it is therefore not generally specified to limit various operations and is applicable parallel to other legislation. Also many matters are not going much into detail and the framework can be seen more as general rules. Nevertheless, it applies to everybody who operates within the environment and could be in conflict to the environmental objectives. This means for all activities possibly impacting the natural environment and human health in a negative way the rules of the code are valid. (Ministry of the Environment, 2000a)

In depth, the main division of the chapters of the Environmental Code is:

**OBJECTIVES AND GUIDELINES (Chapters 1–6)**

- **About the environmental quality objectives and general rules of consideration**: The general aims are 1. **Protection of human health and the environment from damage**, 2. **Protection and preservation of natural and cultural environments**, 3. **Preservation of biological diversity**, 4. **Ensuring a sound land and water management**, 5. **Encouragement of reuse and recycling of resources**. The rules of the Code apply to all activities covered by or harming these aims, for example the handling of chemical products and the construction of buildings. Persons who pursue such activities must have the knowledge in dealing so, make necessary precautions and be aware of the consequences of their doing.

- **Concerning the management of land and water areas**: Land, water, agriculture and forestry are of national importance and activities must be suitable for the preservation of it. Therefore the management of operations in these areas has to take into account this value and not harm it.

- **Rules on environmental quality standards and impact statements**: Environmental quality standards concern actual and potential environmental problems which they try to minimize by for example the level of pollution. Impact statements include the knowledge evaluation of the effect on human health and natural resources cause by an activity. They
are required when an operator is applying for a permission to operate in a certain environmental field covered by the Environmental Code.
(Ministry of the Environment, 2000a; Ministry of the Environment, 2000b)

**PROTECTION OF NATURE (Chapters 7–8)**
- Protection of natural areas, plants and animals: In Sweden protected areas, in which the nature is considered to be special, special plants exists and wild or exotic animals live, exist. All people who enter such areas or other private land must pay special attention not to cause any harm and preserve the richness of nature diversity. Such areas are for example national parks and nature reserves.
(Ministry of the Environment, 2000a; Ministry of the Environment, 2000b)

**OPERATIONS (Chapters 9–15)**
- Provisions on operations within environmentally hazardous activities and health protection: This includes discharges of wastewater, other discharges/emissions and noise, light & radiation. Activities which consist of the use of land and other facilities causing any emissions and may therefore be harmful to human health need special governmental permission.
- Provisions on operations within polluted areas, water areas and agriculture: The after treatment of polluted areas and waters has to be carried out by the person who used the area under potential causal of damage which is liable to human health or/and the natural environment. Persons who do activities in agricultural areas have to prevent the leakage into water and air of used nutrients.
- Provisions on operations within genetic engineering, chemical and biotechnical organisms: Ethical concerns have to be a part of planning of activities within the stated areas. Risks in connection to handling products which have been genetically engineered or chemical/biotechnical manipulated have to be considered by the producer and the products must be recognizable.
- About waste and producer responsibility: Producers of waste are obliged to be aware of their waste management and to have a waste disposal plan. Further they are responsible of taking care of collecting, removing, reusing and the recycling of waste.
(Ministry of the Environment, 2000a; Ministry of the Environment, 2000b)

**COMMON PROVISIONS (Chapters 16–33)**
- On considerations of cases, matters and supervisions: Cases and matters concerning the Code and in need of permission are dealt by the government, courts and other authorities. All to whom the Environment Code applies to are supervised by these authorities with information, individual advice, issue orders and the notice of persecution.
- On charges, fees and penalties: Charges and fees are mostly of administrative kind and have to be paid when a rule of the Environmental Code is infringed and cover authorities’ costs in dealing with the matter. A penalty has to be paid by violation and considered environmental offense of at least 50 rules.
- On compensation and insurance: If environmental damage is done, the person who causes it has to pay compensation to the owner of the land for it. Environmental damage insurance and environmental remediation insurance can be settled beforehand.
(Ministry of the Environment, 2000a; Ministry of the Environment, 2000b)

Three action strategies that are going to help guiding the 16 objectives exist. These are: More Efficient Energy Use and Transport; Non-Toxic, Resource-Saving Environmental Life Cycles; Management of Land, Water and the Built Environment. Each of them is a combination of cost-effective measures and instruments. Several authorities and agencies are working on the improvement of these strategies, for example the Swedish Environmental Protection Agency, the
Swedish Chemicals Agency, the, the Swedish Rail Administration and the National Heritage Board. (Miljömal, 2009; Ministry of the Environment, 2001)

Other important instruments for achieving the environmental objectives are information provision and voluntary agreements plus a concrete dialogue between the government and the industry (Miljömal, 2009).

4.1.3.2 Outline of other acts and ordinances

The following outline contains those acts and ordinances which the authors of this thesis consider to be useful for their research. Short explanations of each act/ordinance can be found in the Appendix i.

- 1977: Work Environment Act
- 1979: Forest Management Act
- 1982: Working Hours Act
- 1987: Planning and Building Act
- 1994: Act on Technical Requirements for Construction Works, etc
- 1995: Annual Reports Act
- 1997: Electricity Act
- 1998: The Chemical Products (Handling, Import, and Export Prohibitions) Ordinance
- 2000: Ordinance concerning the Annual Reports and Budget Documentation
- 2001: Ordinance on Environmental Quality Standards on Ambient Air
- 2005: Act on the Obligation to Supply Renewable Fuels / The Pump-Act
- 2005: Ordinance on Deposit-and-Return System for Plastic Bottles and Metal Cans
- 2005: Natural Gas Act
- 2006: The Plant Protection Ordinance
- 2007: Ordinance on Producer's Responsibility for Certain Radioactive Products and Orphan Sources

(Office for Administrative Affairs, 2010; Notisum, 2009)

Summary

The awareness of the need to protect the nature and natural resources in Sweden is high. Overall the Swedish society is future-orientated and much concerned about the quality of life of future generations (Swedish Institute, 2010). The vision of long-term sustainable use of resources is a commitment which is especially promoted by the political bodies which represent the attitude of a whole nation. The Environmental Code is the core of the legislation concerned with environmental protection in Sweden. As CSR is by its definition voluntary, the legal bodies cannot force companies to operate with it, but they promote it in a very high manner and support CSR orientation. Next to the governmental bodies, universities, institutes, NPOs, other agencies and also the population itself are the operating factors. The goals which have already been reached and which are still to be reached are taken seriously and evolve into a way of living that is exemplary.
4.2 Empirical Data on IKEA

4.2.1 About IKEA

Usually, beautifully designed home furnishings are created for a small part of the population - the few who can afford them. IKEA is the company which has taken a different path from the beginning and decided to reply for the home furnishing needs of people all over the world. The company is offering a wide range of home furnishing in their stores. Furnishing that combine design, function and quality with low prices so that many people can afford them.

The word IKEA was an acronym of the name and the address of its founder: Ingvar Kamprad, Elmtaryd (the name of his farm) and Agunnaryd (the name of his village). With its headquarters in the Netherlands, IKEA Inter Systems B.V. is one of the world's top retailers of furniture, home furnishings, and house wares (The Economist Newspaper Limited, 2010).

IKEA's corporate structure is divided into two main parts: franchising and operations. Most of IKEA’s operations are run by Ingka Holding - a private, Dutch company. Then a non-profit organization called Stichting Ingka Foundation is the actual holder of the company. The IKEA trademark and concept are owned by a Dutch company named Inter IKEA Systems. The franchising fee which all IKEA stores have to pay to Inter IKEA Systems is 3% of their income. (Gronvius & Lernborg, 2009)

The company designs its own items, and sells them in the more than 140 IKEA stores in almost 30 different countries. Firm distributing own catalogues once a year in the areas surrounding its store locations. (Inter IKEA Systems B.V., 1999 - 2010)

4.2.1.1 History of IKEA

Small outline from IKEA’s website:

- In 1943, in Sweden, Ingvar Kamprad, at the age of 17 decided to become an entrepreneur and created a commercial company called IKEA.
- In 1947 IKEA issued its first mail-order catalogue which included all products.
- In 1953 Kamprad bought a small furniture factory and opened a home-furnishing showroom in Almhult, Sweden.
- In 1955 IKEA began designing own furniture items.
- In 1958 the small showroom was replaced by a for that time giant store of 13,000 square meters.
- In the 1990s when the media hype about recycling and protecting the environment was at its peak, IKEA had already taken steps to cut down on waste years before. The company was using only absolutely necessary amount of materials and saving money (and trees) by using flat-packaging for the storage and transport of items.
- In 1991 Swedwood – the industrial group of IKEA was established. It operates within its own wood plants and sawmills and provides IKEA with 30% of these raw materials. (Inter IKEA Systems B.V., 1999 - 2010)
4.2.1.2 The IKEA Concept

“The IKEA Concept is based on offering a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them” (Inter IKEA Systems B.V., 1999 – 2010).

IKEA offers products for different customers and their lifestyles at different stages of life: for teenagers, singles, married couples, families with children, and so on. In each situation, the firm tries to correspond to the need for specific furniture. (The Economist Newspaper Limited, 2010)

4.2.1.3 Critique on IKEA

There are also critical and negative views on the company IKEA. In this section several critical points and scandals in the history of this company are outlined.

In 1981 tests showed that some IKEA products emitted more formaldehyde than was permitted in Denmark. In 1992 an investigative team from a well-known German newspaper and TV station found out that IKEA’s best-selling bookcase series “Billy” produced marginally higher emissions of formaldehyde. This chemical substance formaldehyde can be harmful for humans. (Werner & Weiss, 2001)

The same year, 1992, in Sweden a documentary movie linked IKEA to child labour in Pakistan. Two years later a German documentary accuses IKEA suppliers of using child labour in India. With the end of 1997 the Swedish television broadcasted a film about the exploitation of child labour in factories producing for IKEA in Vietnam and the Philippines. IKEA did not break the cooperation with those entities, arguing that in these countries the law allows such practices. (Werner & Weiss, 2001)

In the Catalogue of Products in 2001, IKEA wrote: "The employment of children today is not acceptable, although in several countries, where our manufacturing takes place, it is widespread" (Inter IKEA Systems B.V., 1999 – 2010). Dietrich Garlichs, Chairman of UNICEF Germany, said that it is true that IKEA funded UNICEF projects but this does not automatically mean that in the IKEA production fabrics do not work children (Werner & Weiss, 2001).

In 2009 Johan Stenebo, a former close associate of the company’s founder, wrote a book titled: „Sanningen om IKEA“ (Swedish: „The truth about IKEA“), which accused Ingvar Kamprad of alleged money laundering and racism.

These events caused extensive damage to IKEA’s reputation. Hence improving, not only in connection to the issues highlighted in the scandals, but also the company’s image as a whole became increasingly important.
4.2.2 IKEA`s marketing mix

For all its products IKEA adopted a strategy of “democratic design”. That is a new vision of the design which has the three aspects of function, design and low price, which means that every project has to involve these features. (Capdevielle, Li & Nogal, 2007)

a) Product

Sweden has an international reputation for safety and quality people can rely on. To convince customers of their quality, IKEA offers long-term guarantees. It helps to put a distance between the IKEA Company and other competitors. (Inter IKEA Systems B.V., 1999 - 2010)

To be sure those products will be serving for a long period, numerous tests are made. Products have to be conformed to the European Union standards and other national norms. Every year, in IKEA's laboratory in Sweden, experts realize more than 50,000 tests. That is why the company can for example give a guarantee on mattresses of 25 years. (Capdevielle, Li & Nogal, 2007)

Nowadays the company is also doing differentiation. Their products are different compared to the conventional ones which are already on the market. By going with simple design furniture they defy norms in terms of furniture style. (Inter IKEA Systems B.V., 1999 – 2010)

The Swedish management and design group decided what they will sell and then present it worldwide, often without enough research on what people actually want and need. IKEA emphasizes its Swedish roots in its international advertising. For example, the company insists on a "Swedish" blue and yellow colour scheme for all its stores. (MacFadden Women's Group, 1994)

b) Promotion

The company sells all products under the brand IKEA - the registered world's trademark. This name appears on every product and on all packaging. The product-name-system demonstrates IKEA's Swedish identity. For example, beds are named after Swedish cities, bedrooms after Swedish girls’ names, bathrooms after Norwegian lakes. Products names are the same all over the world. (Lamantia, 2008)

"IKEA is an anti-marketing brand. It never asks its customers what they want, but tells them instead. When competitors take around 30% of budget for advertising, IKEA takes only 8%".(Capdevielle, Li & Nogal, 2007)

Most of the marketing budget is invested in the catalogues. It is the main tool of IKEA’s promotional communications. It is printed in 56 editions, 27 languages and amounts to almost 200 million copies. (Inter IKEA Systems B.V., 1999 - 2010)

Capdevielle, Li & Nogal (2007) state that the catalogue which shows all available products is the most important and powerful communications tool that IKEA has. But it is not only about products and selling. It is also about giving the idea how a customers can live with IKEA’s furniture (Capdevielle, Li & Nogal, 2007). That is why all stuff is prepared as if it was somebody’s kitchen, living or children's room. There are people preparing food, fresh flowers in a jug, children's toys thrown all over the room.

c) Price

„The IKEA business idea is to offer a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them, and still have money left!“ (Inter IKEA Systems B.V., 1999 – 2010)
When the company adopted the concept of “democratic design”, the price started to play a very important role in the whole production process, of which the stages are: idea, design, searching for the cheapest way of manufacture the product without losing the quality and distribution. (Capdevielle, Li & Nogal, 2007)

IKEA designers, manufacturers and purchasers spend most of their days finding solutions that result in a low price. In 1990 IKEA was producing around 24,000 tables and selling them for 24,90EUR each. By 2004 the company produced 2 million tables and sold them for 9,90EUR. Any architect can design a desk that will cost 50 EUR, but only the highly skilled can design a good functional desk that will cost 10 EUR. (Lewis, 2005)

The company's target customer is looking for value but is also ready to work a little bit for it. Things like serving themselves, transporting the items home and assembling the furniture, cut the costs for the company and resulting in a lower price for customers. (Capdevielle, Li & Nogal, 2007)

d) Place
The main store which is responsible for the development of the IKEA range is IKEA in Älmhult. The assortment is the same for all the IKEA stores around the world and consists of around 9500 articles. Shops are usually located on the outskirts of large cities in "safe" distance from major shopping centres. This enables that the client at the time of the purchase is only there for IKEA. This involves children's corner and a restaurant with Swedish kitchen at which the customers can eat in the middle of a busy walk. (Inter IKEA Systems B.V., 1999 - 2010)

4.2.3 The IWAY, IKEA’s Code of Conduct

The IKEA Concept depends on its supply. The key idea to success is logistics. To make sure there is less risk of running out of products IKEA always doubles up its production facilities across different countries – China, Russia, Poland, Bulgaria and Hungary. Some of IKEA’s suppliers have little choice but to lower their prices and go with the flow. (Capdevielle, Li & Nogal, 2007)

All IKEA products are manufactured in accordance with a specially designed code of conduct: “The IKEA Way on Purchasing Home Furnishing Products” (IWAY) (Inter IKEA Systems B.V., 1999 – 2010). The rationale of IKEA’s relationships with its suppliers lies in the company’s business idea of producing low-price products in a socially responsible way. The belief is to protect the environment and improve good working conditions at factory levels. This will reap long-term benefits for all of IKEA’s stakeholders. (European Foundation for the Improvement of Living and Working Conditions, 2008)

IWAY, created in 2000, based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998, the Rio Declaration on Sustainable Development 1992, and the fundamental principles of human rights, ‘Universal Declaration of Human Rights’. IKEA claims to be committed to apply these requirements to IKEA suppliers worldwide. (IKEA Supply AG & INGKA Holding B.V. 2008)

“To monitor and ensure compliance with IWAY, in addition to its own auditors, IKEA contracts with independent auditors to inspect and monitor all suppliers with whom the company does business on an on-going basis; and those who fail to follow are dropped as IKEA Suppliers” (Konzelmann, Wilkinson, Craypo & Aridi, 2005). Approximately 80 auditors in IKEA’s 43 trading service offices are responsible for supporting suppliers, explaining IKEA’s requirements,
agreeing on action plans for improvements and monitoring fulfilment. (European Foundation for the Improvement of Living and Working Conditions, 2008)

**a) What IKEA expects from suppliers**

According to IKEA Sustainability Report (2008) “suppliers are one of the most important parts in the IKEA system”. IWAY names out IKEA’s expectations of its suppliers with regard to employment, legal issues, social and environmental responsibility. Those are:

• “no child labour,
• no forced or bonded labour,
• no severe environmental pollution,
• no severe safety hazards,
• obligatory records of working hours and wages,
• obligatory accident insurances for workers” (IKEA Sustainability Report, 2008)

IWAY expects suppliers to respect fundamental human rights and to treat their workers fairly and with respect. In this regard, suppliers are required to provide a healthy and safe working environment, to pay the legal minimum wage or the local industry standard and to compensate for overtime. Further they are not allowed to prevent workers from associating freely with any worker’s association or group of their choosing or collective bargaining. (European Foundation for the Improvement of Living and Working Conditions, 2008)

By respecting the environment, suppliers are supposed to work in order to reduce waste and emissions to the nature. Handling chemicals and disposing hazardous waste in an environmentally safe manner is also asked of them. Further they have to contribute to the recycling and reuse of materials. As well the use of wood from known areas and, if possible, from sources that are well managed and rather independently approved as such is demanded from suppliers. (Inter IKEA Systems B.V., 1999 – 2010)

**b) What suppliers can expect from IKEA**

On the other side, just as IKEA wants to be sure to rely on its suppliers, suppliers can also rely on IKEA. In accordance to the Bloomberg L.P (2005) they can expect the company to:

• be reliable,
• to adapt its products to suppliers’ production methods and contribute to efficient production,
• to care for the environment and support material and energy-saving techniques,
• to assume a clear standpoint on working conditions,
• to respect cultural differences,
• to provide clear and mutually agreed commercial terms.

### 4.2.4 CO-Workers and working conditions

The IKEA vision to create a better everyday life for the people also includes its co-workers. The company stated to offer a safe and healthy work environment together with the development of opportunities for all individuals. Over the past five years, IKEA has opened around 100 new stores. This raised the need to attract new co-workers but also to keep the old ones in good conditions. (Inter IKEA Systems B.V., 1999 – 2010)

IKEA offers flexible working conditions to support and adapt to co-workers’ different life stages (whether they are still students, recently graduated, new parents or soon-to-be retirees). The
company can meet each individual co-worker’s needs for work-life balance in various ways like: offering flexible working hours, part- or full-time work, more or less responsibility, job sharing or telecommuting. (IKEA Sustainability Report, 2008)

4.2.5 IKEA’s environment protection and social responsibility

"Sustainability is the key word for the future. Our ambition is to work step by carefully thought-out step, and with great respect, towards a business based on sound ecological principles. It is not enough to be friendly toward the environment - we must adapt to it” (Anders Moberg – IKEA’s President, taken from the Sustainability Report, 2008)

IKEA regards the socially responsible conduct as a part of its core corporate philosophy, which demands decent labour standards of its suppliers (Christopherson & Lillie, 2005). “IKEA presents its corporate strategy as based on cost-reduction, accomplished through high volume production, and innovation in materials, transport and packaging. The corporate strategy is closely tied to IKEA’s ideology of social responsibility”. (Inter IKEA Systems B.V., 1999 - 2010)

Environmental awareness is regarded as consistent with for example savings in materials, transport and packaging. The reasoning is that more efficient packaging is cheaper, and also more environmentally sustainable. (Christopherson & Lillie, 2005)

A socially responsible image has always been a part of IKEA’s marketing appeal, but with a growing network of suppliers in developing countries it was becoming more difficult to hold it. IKEA had to find out increasingly that it could not avoid being implicated in the labour rights violations of its suppliers. (Pan & Brehm, 2005)

IKEA had a corporate code of conduct (CoC) long before other big companies, but until the 1990s it was never emphasized or systematically enforced on supplier companies (Inter IKEA Systems B.V., 1999 – 2010). Once the debate about codes emerged in the 1990s, IKEA’s management felt the urge for a more formal and systematic organization, in particular to make sure that the labour rights practices of IKEA’s suppliers do not influence the IKEA brand badly (Christopherson & Lillie, 2005).

The company engages in social and environmental friendly activities. Two examples are the IKEA Social Initiative and the project “Sow a Seed”. In the following both are explained.

The task of IKEA Social Initiative (ISI) is to handle all global donations for social projects and strives to achieve a lasting change of the situation in areas where company is doing and will continue its business. ISI has chosen UNICEF and Save the Children as its main partners. Both organizations are specialized in helping children and promoting their rights. The co-operation with these organizations builds on a partnership committed to long term projects designed to create lasting change in the communities. (Inter IKEA Systems B.V., 1999 - 2010)

IKEA supports “Sow a Seed” project, which consisted on reforest and maintain 18,500 hectares of lowland forest in Borneo. Its aim is to protect the area from logging for a period of 50 years. Sow a Seed has contributed to the building of homes and meeting places for social events. Furthermore it provides field accommodations for more than 150 workers and their families who participate in this project. (Inter IKEA Systems B.V., 1999 - 2010)
4.2.6 IKEA’s Sustainability Report 2008

The first sustainability report was published in 2004 for the year 2003. Since then several details changed but the basic concept IKEA is presenting through it stayed the same.

In the following, an outline of the contents of the report from the year 2008 is presented (IKEA Sustainability Report, 2008)

FACING CLIMATE CHALLENGE: The company is concerned about the climate change and works actively to reduce carbon dioxide emissions from its operations. It focuses on the areas in which the greatest possibility to reduce emissions lies. This includes developing energy and material efficient products, minimizing transportation emissions and meeting the long-term directions outlined in the project “IKEA Goes Renewable”. In order so, IKEA is investigating the product’s entire cycle and impact during its lifetime and tries to include it in every aspect of the value chain. This leads to extraction of raw materials, manufacturing processes at suppliers and sub-contractors, customer transportation to the IKEA stores.

PRODUCTS WITH LESS IMPACT ON THE CLIMATE: IKEA works to develop products that have less negative impact on the climate, focusing on lighting and kitchen products. Lighting for example accounts for almost 25 percent of the electricity consumption in homes. IKEA is developing a range of more energy efficient light source solutions based on three main techniques; CFL (compact fluorescent lighting), halogen and LED (light emitting-diode).

GREENTECH: IKEA GreenTech is an investment company, which aims to bring good and affordable environmental products to the people. That is how they can reduce their CO2 emissions, water usage, energy and water costs. IKEA GreenTech wants to focus on: lighting, solar panels, energy efficiency, raw materials and water saving.

SMARTER TRANSPORT OF PRODUCTS: The most effective way to reduce the environmental impact from goods transport is smart packaging. IKEA's flat packages are part of its ambition to increase efficiency in all aspects, including transport. To maximize the use of space the company continually innovates in other types of packaging. Designers and product developers include considerations to packaging solutions as part of their assignment. IKEA is investigating the possibilities to move towards a more regional rather than global production. This is a strategy which will lead to lower transportation costs, shorter lead times, less incremental economy of scale advantages and less vulnerability to currency fluctuations. Allocation production closer to the sales market will reduce the environmental impact from transportation.

IKEA GOES RENEWABLE: All IKEA stores, factories, offices and distribution centres shall work in the long-term with renewable energy (bio fuels, solar, wind, water or power of geothermal heat). IKEA has standards for building components, and specifies a range of energy efficient measures for new IKEA buildings. Standards for renewable heating equipment are a part of the evaluation process when existing buildings are reviewed. Newly built facilities use, if it is possible, bio fuels, geothermal heat, solar, wind or water power.

ENERGY USE OF SUPPLIERS: This is a project which aims to promote and create efficient production practices for IKEA’s suppliers. It focuses on energy efficiency and the use of renewable energy. The company wants to make the suppliers to become CO2 neutral.

(Inter IKEA Systems B.V., 1999 - 2010)
Summary

Ingvar Kamprad is ahead of the competition. He listened very carefully and observed his customers. IKEA is not just a furniture exhibition but promotes modern lifestyles and a distinctive way of thinking. In the stores customers are looking for new solutions, ideas and interesting trends in interior design.

Regarding sustainability and CSR IKEA is very active. It works together with many NGOs and supports many initiatives and projects. The protection of natural resources, human rights, the improvement of working conditions for the companies’ employees as well as its suppliers are major purposes of IKEA’s business.
5. Analysis

Previously empirical data and information on Sweden, Swedish law and the company IKEA was collected. It was outlined what is required and promoted by the law and what on the other hand IKEA is practicing. In this following chapter the authors of this thesis look for a possible connection between the law timeframe and IKEA’s timing of activities. Firsthand it is questionable if the law influenced any of IKEA’s activities collected in the empirical part. After that it is possible to draw connections from the activities to the marketing strategy and question the influence by the law by opposing pro and contra arguments.

5.1 General impact of the legislation in certain areas on companies in Sweden

The business sector is playing an essential role in realizing the environmental quality objectives of the Environmental Code (see section 4.1.3.1). Companies are encouraged and engaged in environmental work by the government (Miljömal, 2009). The actual increase in those activities and the fact that they are valued by customers might lead to future competitive advantages (Ministry of the Environment, 2001).

But what exactly can lead to the increase of those activities is questionable. The Swedish legislation system might be an important source for that. Firstly, the Swedish government means to promote sustainable development by all means. Emphasis on sustainable values is therefore large and reaches out to all facets of the country, industry and population. The Environmental Code and the national strategy for SD encourage people and companies to take an active part in achieving the environmental objectives. For example the objectives on the reduction of the climate impact, clean air and a good built environment are thoroughly also for the sake of companies, business environments and consumer’s lives. The emphasized promotion is a motivation to contribute to the idea of sustainable development from which according to the promoted information everybody can benefit from. It can therefore be a reason for the increase of environmental protection.

Secondly, the government’s intends to regulate certain areas impact companies directly through higher expenses as for example high tax burdens as mentioned in section 4.3.1. Such governmental regulations force companies to adapt to certain standards. Such higher costs emerge from the installation of higher security and technical standards. It can even happen that new machines or facilities need to be established. The Environmental Objectives Committee, announced by the Swedish government, estimated the costs for waste water treatment and waste management, which is required by the Environmental Code, to be at about MSEK 500 per year (Ministry of the Environment, 2001). The choice of locations is definitely shortened by the prohibitions to operate in polluted areas, agricultural areas, water areas and protected land (by the Environmental Code, see section 4.1.3.1). An adaptation to such certain prohibitions also requires time and expertise. Consequently the regulation is a constraint in order to achieve the sustainability which the government wishes to establish.

Furthermore companies need expertise personnel. Those people consist on the one hand of those who are experienced in the area of legislation and on the other of those who have the needed know-how to apply it to business. Especially in the concern of technology, for example special technological requirements like the Act on Technical Requirements for Construction Works, detailed technical knowledge is necessary. Investment in human resources and further education of personnel also derives costs and consumes times. Skilled employees usually also demand more money. But then regarding productiveness and quality, skilled personnel is an advantage and improves the value of business operations.

Another challenge is the gathering of necessary and valid information, which is in connection to the legal framework and the business from the inside perspective. An example is the requirement
of impact statements (see section 4.1.3.1). Companies need experts and personnel, external or internal, who gain information and are able to evaluate it in terms of consequences of the taken actions. Other experts are furthermore needed to control the outcomes. Certificates and labels have to undergo a quality control as well as all the products which have to meet technical standards. This is time consuming and might delay a market launch of a new innovative product. But the process itself is positive and benefits the business in terms of higher quality.

In case of failure to adapt to the law or a not fast enough reaction, companies have to deal with penalties and fees (Environmental Code, chapter 27 and 29, see section 4.1.3.1). To minimize the risk of losing too much money a company can settle a suitable insurance beforehand. For that also the right personnel and correct information search is needed. Of course it also costs money and takes time. But in consequence it is a good back-up in case something goes wrong.

In another light, a company can draw benefits from the legal framework. For example: higher standards mean higher quality; higher quality is a competitive advantage, especially on the international markets. More educated personnel, especially frontline personnel, contribute to customer satisfaction. Also the investment which is required from all at equal terms puts all companies in front of the same dilemma and one company which is very skilled can use it as a strategic window. Therefore the legislation is on the one hand positively supporting future development but on the other hand constraining to do the business in a certain way.

Summary

The Swedish legislation determines the range of operations of companies within Sweden. For example import and export regulations on certain resources diminish the possibility of production materials, as it is fact in the chemical industry for which a prohibition on certain chemical products exists. In general, as discussed in this section to adapt to laws often means to invest money and time. But on the other hand, the strict legal framework leads to higher standards and quality. It is therefore reflecting Sweden’s high standard of living and for that it is appropriate. So, operating in Sweden means through the vast outline of various acts and ordinances more work than in other countries. But if it is a company originally from Sweden, the application of the law comes naturally. Consequently companies coming from outside of Sweden and seeking to operate in Sweden have to deal more with it.
5.2 Impact on IKEA

5.2.1 The link between the Swedish law and IKEA’s strategic and marketing activities

IKEA’s activities on which we are looking upon here in this analysis can be divided into environmental protection, the launch of the IWAY and CSR campaigns.

5.2.1.1 IKEA’s environmental protection

a) In 1990 IKEA introduced its first environmental policy (Inter IKEA Systems B.V., 1999 - 2010). This policy is about IKEA’s goal to increase environmental responsibilities in all business activities. An early step, though after the Brundtland Report 1987, but before the Conference in Rio 1992 which was a starting point for the Swedish government to consider environmental protection. Following that, in 1991/1992 the position of the first social and environmental manager of IKEA was introduced (Gronvius & Lernborg, 2009).

In 1991 Swedwood – the industrial group of IKEA was established. That happened in order to ensure production capacity and the supply of own raw material production. Swedwood operates within its own wood plants and sawmills and provides IKEA with 30% of these raw materials (see section 4.2.1). Like that other wooden/natural resources do not need to be wasted (production-cycle). In 1993 the IKEA Group became a member of the Forest Stewardship Council (FSC) which is the global forest certification organization. From 1979 an act on forestry exists in Sweden (see section 4.1.3.2 and Appendix i), it says that forests and woods are an asset of Sweden and their renewability has to be preserved. In later years modifications of this act were established. However, it can be related to the idea of wood protection which IKEA was obliged to consider in its production processes. On the other hand, IKEA’s ambivalence for the forest protection can also be related to the fact that the main raw material for IKEA’s production is wood and the company has been thinking early enough about the sustainability of this raw material. Also the price for wood as a raw material can play a role. If the company can grow its own trees it has lower costs in obtaining and transporting the needed wood.

Anyway, looking at the timeframe all these steps were before the introduction of the Environmental Code in Sweden. This code contains a chapter (nr. 3, see section 4.1.3.1) on the use of land and forests which have to be protected against irrational use. One of the 16 environmental quality objectives is sustainable forests. The Environmental Code came into force 1999, also much later than IKEA’s own initiative for forestry protection. But it happened almost in parallel with the implementation of the first forestry manager at IKEA in 1998. This person is working fulltime in order to secure the sustainable use of IKEA’s wood resources. Also in 1998, the “sow a seed” project was launched to help growing forests in Malaysia. Later in 2002, cooperation with WWF Co-operation on Forest Project was established to initiate a series of global and regional projects. IKEA brought its improvements in forestry abroad and promoted itself in a better light towards responsibility. So in particular the company did more than what was asked by regulations in Sweden. In Sweden forests are considered to be something like a national treasure for Sweden (Miljömal, 2009). It is a question of equality to regard all forests over the world as protectable or not. As equality is valued highly in Sweden it is a logical conclusion that not only woods in Sweden have been regarded as protectable but also everywhere else. In total, this can be seen as a voluntary step of the company. So in consequence IKEA’s keenness on forest protection can be regarded as a matter of clever resource allocation and the moral belief that forests have to be protected.

b) Furthermore 1999 the “Waste Management Manual“ for the IKEA group was established in all stores in form of garbage bins. Since then the five most common waste items are sorted. From a practical view, this leads to the fact that almost 75% of the waste is sorted in the stores already and more than 80% of it is recycled or used for energy production. Furthermore, 2002 IKEA
recovery was launched. This is a product-recovery concept which enables customers to bring back products and these returned products are, if possible, repaired instead of thrown away. Both these activities are in the sense of the Environmental Code, chapter 1: general provisions (see section 4.1.3.1) and chapter 15: waste management and producer responsibility (see section 4.1.3.1). “Waste management manual” was established 1999 and the Environmental Code came into force on the 1st of January 1999. A direct link is rather not causal because of the timeframe. It was the same year and companies need more time for adapting to a certain law. The establishment of the “waste management manual” must have been planned longer before the year 1999 in which it was realized. Also the Environmental Code is a framework law providing rather general rules than direct requirements of actions. Therefore a direct influence is not possible and an indirect not rational because of the non existing time delay. But IKEA recovery was established several years later. It might also just be a further logical step after the waste management system and the reuse/recycling of old furniture in order to save money on the provision of new materials. On the other hand, here the Environmental Code could have had its source of motivation and inspiration in the idea of developing the waste management system further. An indirect influence is therefore also plausible.

c) In 2001 IKEA’s initiative to make more use of railways started to promote a more sustainable way of transporting IKEA’s materials and products. Transportation by rail is having a reduced climate impact as by vehicles. One of the Swedish environmental quality objectives is reduced climate impact, so here as well; the Environmental Code could have been an inspiration.

d) For the year 2009 the following goals were set: IKEA Goes Renewable should be implemented completely, that means that all transportation companies working for IKEA should be using renewable energy. Another goal for 2009 was that 75% of raw materials in home furnishing products should be renewable. In how far these goals have been reached, is not questioned by this research. But what the source for this acting might be. With the Environmental Code and the Swedish National Strategy for Sustainable Development the use of renewable energy is promoted. One of Sweden’s goals for the future is to provide the whole country with renewable energy (see section 4.1.2). In the totality of the goals can be seen a relation. But is such a relation reasonable? Here again the causality is questionable. One reason against it is the cost factor. By using renewable energy a lot of costs can be saved. Also it benefits the image and is supportive of the branding because the use of renewable energy is generally said to be better for the environment. This is possible to consider further by saying that like that the company shows its future orientation and innovative manner leading to competitive advantages. But another further thought is that such a change is very radical and not easily performable, so why taking it? Would it not be rather logical to proclaim a less radical method as this would sound more realistic? It is usually the same with governments. Often politics promise things which sound like good aims but in reality are not possible. So is this maybe just an idea, just a goal? It is definitely possible to establish changes step by step over a long term. For such a big network as IKEA is, nevertheless it sounds rather impossible to manage this in just a couple of years. Therefore we can ask ourselves, is such a goal just a green wash to improve the image? Why does it actually sound like exactly what politics practice all the time? How seriously can one take promises like that? Considering these questions, it seems to be likely that the idea can actually come from the Swedish idea for the future. Though this is far-fetched and a direct influence is not evident, the totality of the promises of the Swedish government and IKEA has at least one thing in common: they sound good, but if one takes a closer look, it seems unrealistic.
5.2.1.2 IWAY/Code of conduct

The IKEA code of conduct called The IKEA Way on Purchasing Home Furnishing Products (IWAY) was launched in 2000. It defines what suppliers can expect from IKEA and specifies what IKEA expects from its suppliers in terms of legal requirements, working conditions, active prevention of child labour, external environment and forestry management.

That legal requirements have to be followed is a logical and normal step. It shall not be questioned here.

Concerning working conditions the first thing to look at in the Swedish law is the Work Environment Act (1977), which imposed that the state of the work environment has to be satisfactory to be preventing illness and accidents for the workers. Second thing is the Working Hours Act from 1982, which described working hour rules (regular working hours shall not surpass more than 40 hours per week; on-call hours/overtime/additional hours are only allowed to be performed if they don’t exceed a certain amount). Both Acts were launched before The IKEA Way on Purchasing Home Furnishing Products. Though IKEA had to first adapt to this law in Sweden and then several years later, after several scandals concerning child labour damaged the image, proclaim the same way of operating elsewhere.

The prevention of child labour is nowadays a question of morality and ethical beliefs. In former times it was common for children to go to work. Then governmental regulations came in force and it became unmoral to let children work. But in the western world this happened long before IKEA was founded. Therefore the initiation to take more responsibility for child labour in the third world is coming directly from the accusing scandals.

Next point to look at is the Environmental Code which came into force in 1999 as already mentioned before. Laws contained there can also have a certain impact on the IWAY document in terms of external environment and forestry management. In particular Chapter 1 about the environmental quality objectives and general rules of consideration, Chapter 3 which concerns the management of land and water areas, Chapter 7 which protects natural areas, plants and animals and Chapters 9-12 containing the provisions on environmentally hazardous activities, operations within polluted areas, water areas and agriculture. All of them regulate the same things as those contain in Section 3 - “Environment: Air, Noise, Water and Ground” of The IKEA Way on Purchasing Home Furnishing Products. Then, Chapter 4 concerning provisions on operations within genetic engineering, chemical and bio-technical organisms got its counterpart of the IWAY in Section 4, about the chemicals. Last but not least, Chapter 14 describes waste and producer responsibility, regulated in Section 5 of the IWAY “Hazardous and Non-Hazardous Waste”.

Nevertheless it cannot be said so easily that there has been a direct impact of the Environmental Code on the IWAY and IKEA’s activities connected to the IWAY. The timeframe is a contra-argument. The IWAY was introduced one year after the Environmental Code, too short-termed to be an outcome of this framework law. Such a strategic step must have been planned early before. Another contra-argument is the fact that the IWAY is valid for all world-wide suppliers of IKEA. National Swedish law in contrary is only valid in Sweden. On the other hand that can provide pro-arguments for an indirect influence. Much of the content shows similarities as described in the paragraph above. Here it is possible to draw a connection between the outlines of the main schemes of both. The evidence of the similarity is too high as that it could be coincidence. The idea of the IWAY must have been developed before the Environmental Code but still the Code can have been a complementation of this idea.
5.2.1.3 IKEA’s CSR campaigns

In reference to section 4.2.1.3 IKEA’s reputation suffered from child labour scandals in the 1990s. According to Gronvius & Lernborg’s (2009) research this was the reason for IKEA to launch CSR projects and campaigns. Although CSR is widely acknowledged and promoted in Sweden there is no particular law on CSR in Sweden as CSR is due to its definition voluntary. Therefore there is neither a direct nor indirect link between IKEA and the Swedish government’s promotion of CSR.

5.2.2 Law and marketing activities in connection to IKEA’s strategy

In the theoretical part six major components of a strategy in regard to marketing were introduced (see section 2.1.2). In reference to other research papers, the empirical data and concluded from the analytical thoughts in this chapter before, these parts of the components of IKEA’s strategy in context of sustainability and CSR can be complemented to:

![Diagram](image)

Figure 5: Components of IKEA’s strategy which are relevant for the discussion in this thesis, adapted from Doyle and Stern (2006) and complemented through empirical and analytical research by the authors of this thesis.

a) How could the scope of business have been influenced by a certain law?

This component is a rather individual point which each company practices regarding to its own capacity and customer orientation. A country does not influence it with law. The main things which influence the scope of business are localities, national culture and the customers’ needs in the certain localities and cultures. Therefore it is different for each company and country. So there is more likely to be no influence by a certain legal point of the Swedish legislation.

b) How could the objectives have been influenced by a certain law?

Not all of those objectives should be drawn into consideration. The ones which can are the resource objectives and social objectives. The resource objective is divided into: human resources, capital resources, natural resources and facilities. Human resources are about the
employees as one of the most important stakeholders of a company. That also includes the work environment and working hours. There are many factors which influence the working environment and hours. For example it can be the branch, the technical standards, the kind of and purpose of the work. But legislation also takes a big part of this process. In Sweden since 70s and 80s there are laws on the conditions of working environments and working hours (see section 4.1.3.2 and Appendix i). Each company in Sweden has to apply to that. Even if IKEA is now operating globally it was first originally in Sweden and that forced IKEA to apply to these laws as well. **So there is a chance that the human resources objective was also influenced by these laws.** Furthermore since 2002 the Anti-Discrimination Act is valid in Sweden. IKEA was practicing such ways already before. For example, to support its high commitment employment strategy, IKEA pays good wages, gives full benefits and provides health care benefits to anyone working 20 hours a week. New parents at IKEA can tap into its parental-leave benefits by which mothers automatically receive seven weeks off with full pay, while fathers and adoptive parents get one paid week. (Business Wire, 2004)

Such forward-thinking policies make employees feel that their contributions are valued, no matter how many hours they work. **So this practice did not have anything to do with the particular act. The idea of equality in Sweden in general is a rather rational reason for that.**

Capital resources are not interesting in this context. The next resource objective worth to take a look at, are the natural resources. The natural environment and suppliers are the stakeholders in this part. The protection of the natural environment is regulated often by politics, especially in Sweden, but from the start also an ethical matter. **So it is also influenced by legal prescriptions and at the same time voluntary. Suppliers of natural resources are obliged to follow political regulations as well as ethical beliefs. In total influences on the resource objective can be seen as a mixture of laws and ethics.** Other factors like market conditions exist as well, but they are not crucial.

Facilities in Sweden have to be based on the basic regulations through the Planning and Building Act (1987) and the Technical Requirements Act (1994). That has an effect on the managers’ decisions regarding these facilities and plans. But also on the employees who actually have to work there. **Both these two stakeholders are directly affected by these two laws. In another way there are also other impacts on the provision of facilities.** In the first place a company builds them if there is a market demand for it. Geography and demography as well as economical factors affect the process of answering the demand also.

The social objective deals with the care of the company for the community. This is about Corporate Social Responsibility. IKEA promotes itself as taking high responsibility in social manners in the third world. **Also CSR is highly promoted by the Swedish government but IKEA started to be concerned with CSR because of scandals.** NGOs, and not governments, were one of the main influences to help IKEA to better up its reputation after the scandals again (Gronvius &Lernborg, 2009).

c) **How could the strategic business units have been influenced by a certain law?**

The first SBU to look at is the design team. But that is definitely not influenced by any law at all. Design is like a piece of art. It gets its inspiration in ideas, values and national as well as corporate culture. The design of furniture has its roots in the IKEA concept and the taste of the people who work on it.

The distributors on the other hand have to follow legal regulations regarding transport and stocking of material. Such regulations exist in each country and it is rather a local than global question. Of course regulations of this kind in Sweden also affect this SBU but **that is not in the**
context of the regarded framework of SD/CSR and therefore not interesting to discuss in this thesis.

Local sale stores as well are more an object of national laws according to the country. They are also an object of the corporate organization, corporate concept, local culture, differentiation strategy and the market demand. National laws regarding for example opening hours are either in the legal framework which is discussed in this research.

\[ d \] How could the resource allocation have been influenced by a certain law?

Natural resources IKEA needs mainly are raw materials like wood and metals. The Forestry Management Act and the sustainable forests objective in the Environmental Code are two examples of direct and indirect influence of the law in Sweden. But that is only valid for Sweden. Globally seen the prices for raw materials, their availability in one country and their transport to the production place are important drivers of resource allocation. To have more independency Swedwood, the own industrial group, was launched in order to allocate IKEA’s own wood. That is not only a cost saving factor but also in the regard of ecological environment protection and the social manner of not destroying it. So that means supply of natural resources and their allocation is affected by economical, ecological and social factors.

For the point of the global and local suppliers the same discussion can be raised as for the local stores. Localities are bounded to national laws and outside of Sweden not in the reach of the Swedish law. But here the aspect of global suppliers can be added. Operating globally means to have an eye on global standards and local laws. The IWAY is a CSR perspective on IKEA’s global network which especially includes suppliers from 3rd world countries. In these countries CSR can be practiced because there is an actual lack of local and national standards in working conditions and human rights protection. But as there is no special law on CSR in Sweden, it cannot be affected by it. On the other side the emphasis on CSR by the Swedish government agencies and other instances can provide a fundamental idea of CSR practices. Still it was not the starting point for IKEA’s IWAY (which were as mentioned before scandals in the 90s ruining the image of this company).

The IKEA recovery which is about the possibility to bring back old or broken furniture back to the stores is a smart idea. It fits very well to the IKEA concept and saves costs on the retrieval of materials. This leads to the consideration that the main source has been the concept. But this Recycling-encouragement can also be found in the Environmental Code, Chapter 15 about waste and producer responsibility. As the recovery project was launched three years later than the Environmental Code it can be a source of the idea. Still, after the “waste management manual”-system, the recovery idea was a logical step into the direction of making more use of waste material. It is possible with technical things, so why should it not be also possible for furniture?

\[ e \] How could the sustainable differential/competitive advantage have been influenced by a certain law?

The two advantages IKEA possesses are the cost leadership and differentiation which are both coming originally from the IKEA Concept. The main cost saving idea is the fleet packaging that uses less material and is easier to transport. Anyway the use of less material is also in a way environmental friendly but that is not the basic thought about it. Also the concept is not based on law, inspired by law or influenced in any other way by any law: it was just Ingvar Kamprad’s own idea.

According to IKEA manager’s opinion also CSR can be regarded as a source for IKEA’s competitive advantages (Gronvius & Lernborg, 2009). The practice of CSR has a positive effect on the image and reputation. In Sweden CSR is highly regarded and a standard. The Swedish
government promotes the use of CSR but as it is a voluntary step there is no particular law on CSR. And as mentioned before, the reason why IKEA started to be concerned with CSR were several scandals in the 1990s. So there is no direct or indirect influence of the Swedish law at all.

f) How could the use of synergies have been influenced by law?

Usually the use of synergies is an economical thought to save costs. It can also be referred to the ecological idea of saving materials and producing less waste. On the other side it can be argued that the Environmental Code is motivating businesses to make more use of their synergies and keep the production of waste low. Still the use of synergies is a strategic step in the production line and not a question of legal influence at all.

The global and local supplier network has been discussed in this analysis before. The same discussion applies here as well.

g) Are there other sources of influence on the strategy components?

Other sources of influence can be divided into internal and external in reference to Kotler’s (et al., 2005) micro- and macro environment. Thus the internal which can be observed in this case are the concept idea of Ingvar Kamprad, the corporate structure (which is quite complex, see section 4.2.1) and the own capabilities (what is possible and impossible to do for the company?).

The external influences and reasons for certain strategic decisions in the marketing sector are rather decisive ones. Natural environment/resources, the national culture & values, standard of technology, demographical changes and the economy (with impact on prices, global/local markets, market demand) are those affecting marketing strategies as well. Here it is also possible to discuss in how far all these external factors could be influenced by law or are actually influencing the legislation itself. It depends on what is seen as a main influence for marketing decisions in a specific branch or sector. On the one hand, the argument as seeing law as the highest instance stands – that can be supported by the consideration that in some countries as in the third world the law is the only thing that is in order and a lack of legislation in general is visible to have negative impacts on other factors like the economy and technological standards. On the other hand, there is the argument that law is just a minor factor and stands beneath a higher instanced main influence – that can be seen as true in the case of IKEA in and from Sweden. Mainly IKEA markets itself as being Swedish and of course the company has to follow the Swedish legislation system, but so it has to all over the world. The strategy here is to represent “Swedishness” and that means on the whole the Swedish culture. As the major focus of this thesis is on the link between law and strategies, particularly in Sweden, there has been one observation in this analysis: strategies of IKEA are also mainly influenced by the culture of the people who make them. At this point it is worth to mention that law is also influenced by the culture of the people who make it. Therefore national culture is a source of influence for both strategies and laws. But there is also a vice-versa influence of law and culture, in cases in which culture is not strong or too differentiated, law is or was an instance over the culture. Still this link between law and culture is not a part of the purpose of this work and was hence not discussed in the analysis of this chapter. Nevertheless it can be argued that if law influences the culture and the culture influences a marketing strategy, more indirect influences between law and strategies exist. But in a high developed country like Sweden the authors of this thesis assume the influence of law on culture as being very small and not considerable for this work, so this possible part of influence is neglected here in this discussion.

A main point is also moral and ethical beliefs. On these beliefs external as well as internal reasons can have an effect. From the internal side the education and personal beliefs of the managers play a role. Someone who has an academic education in a country as Sweden is having a different view on human rights and equality than somebody from for example Saudi Arabia.
Also CSR is a matter which is more debated in Sweden than in 3rd world countries. From a general perspective CSR is also a big debating point. Many global companies have to deal with it because of image and marketing reasons. Then it can be questioned whether CSR is maybe only a trend? Surely it is also a customer demand for ecological products and products which were produced in a responsible way without exploiting employees or children. Companies have to answer this demand and follow the global trend. That has been also valid for IKEA.

Summary

<table>
<thead>
<tr>
<th>Components of IKEA's strategy</th>
<th>Direct influence by law?</th>
<th>Indirect influence by law?</th>
<th>Influence by what other factors?</th>
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<td>Scope of business</td>
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<td>Concept, culture, localities, market demand, corporate organization, differentiation strategy</td>
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<tr>
<td>Use of synergies</td>
<td>NO</td>
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<td>Costs</td>
</tr>
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Table 4: Overview of IKEA’s strategy and their influences, regarded to be of significance by the authors of this thesis

The Swedish law and its requirements of high standards and morality in business operations demand from companies’ precautions and awareness of their actions. Sometimes IKEA’s activities can relate to certain law regulations like the Environmental Code or the Forestry Management Act from 1979. Table 4 summarizes the findings of the analysis. This is though only focused on Sweden. But in general IKEA operates globally. So a global strategy for adapting to all law frameworks had to be developed by IKEA. Concentrating on the global guidelines and standards might be an idea of that. Furthermore there are also other factors which influence a company like IKEA, for example ethical beliefs and national occurrences (see Table 4 above). All in all, IKEA promotes itself as “typically Swedish”. The company follows a market push strategy (see section 4.2.2). This “Swedish branding” and its “Swedishness” are visible in the whole IKEA business. Therefore Swedish cultural and ethical factors also play an important part of developing the marketing strategy. In this development the Swedish law is not the main influence on the strategic decisions in total. Though regional laws are important when new stores are opened in another country, the ones from the country of origin do not have a global effect.
6. Conclusion

After the previous two chapters presented the empirical work and the analysis on the chosen field of examination, this final chapter provides the reader with a reflection on the findings and their validity. Furthermore the authors of this thesis propose suggestions for future marketing practice and further research in this area.

6.1 Answer to the purpose and research questions

The authors provided the following answers to the research questions:

*What is the legislation on SD and how do political bodies promote CSR?*

Corporate Social Responsibility is meeting the social pressure done on companies by societies and other organizations. Sustainable development is concentrating on equal distribution of resources between generations. Both these concepts are used and supported by governments for the installation of regulations in these areas. Sweden and the Swedish legal framework was taken as the example for this study. Information on that is provided in the empirical part 4.1. The Swedish government is concerned with environmental protection. An example of this is the Environmental Code which is a law framework on reaching the 16 Swedish environmental quality objectives. Also CSR is promoted on a high level but there is no specific law, as it is voluntary.

*How do marketing strategies in this legal framework look like?*

To answer this question the example of the Swedish company IKEA was chosen. Information on IKEA’s practicing and strategy can be found in the empirical part (section 4.2). The application to the chosen legal framework takes place in the analysis (section 5.2).

*What connections exist between marketing strategies and the political vision of CSR and SD?*

Marketing strategies are influenced by many factors. As argued in the theoretical framework (section 2.1.3), laws can also have an impact. Connections can therefore be in the form of direct and indirect influences on strategy components. In the case of IKEA there are only few connections and these are rather indirect.

After looking upon the answers to the research questions the answer to the research purpose which was to question and discuss to what extend marketing strategies are influenced by laws in the context of sustainable development and political bodies’ promotion of corporate social responsibility is attainable. The discussion in the analysis chapter led to the point that this extend is very small. Law does not belong to the main influences. There are many other factors influencing marketing strategies and in this example IKEA’s marketing strategy. This company addresses a broad set of stakeholders to which especially employees, suppliers and customers belong. The strategic intend of the corporate mission, the IKEA Concept, is to design and produce furniture at prices as low as possible so that many people are able to buy it. At the same time this research showed that the low price is not reached at any cost. In regard to sustainability the company is ambitious to protect the natural environment which it utilizes for its raw materials supply. Also on the social level IKEA is engaged in projects to protect human rights and abolish child labour. These corporate social responsible actions lead to a positive image of the company. So the theory on sustainability and CSR is visible in both IKEA’s business and in the Swedish legal framework which regulates and promotes sustainable development and corporate social responsibility.

However, after the research it can be made clear that the legal framework is certainly not only pressuring companies, but also their consumers and competitors are affected by it. Therefore it is
having a more indirect impact on the whole business. This is why it is an important part of the marketing process. But for IKEA in Sweden changes in corporate behaviour due to the Swedish law are not necessary anymore as IKEA has long been established in this country and had to adapt to it from the beginning. Hence no clear link between IKEA’s marketing strategy and the Swedish law could be found in this study. Also the structure of IKEA is too complex that it would be possible to pick out single parts and determine their influences. IKEA’s strategic intend in terms of sustainable development and CSR is rather to focus on actions and not on marketing these actions (Gronvius and Lernborg, 2009). For example, the IKEA catalogue has been printed on chlorine free paper since 1991 (Gronvius and Lernborg, 2009).

Furthermore, a certain way of thinking in a company’s concept also contributes to express cultural and social values. These are articulated by a corporate culture which is highly influenced by one or several national cultures of the people working in the corporation. This way of thinking is a question of ethics and less of law. Ethics are usually considered in law-making processes but this linkage does not belong to the purpose in regard. Nevertheless the idea, the concept and action taking are all influenced by Swedish values, especially environmental protection and equality. In its own way, IKEA represents and promotes the Swedish way of business – a sustainable way towards the future.

6.2 Reflections on the application of the study

The first limitation of this study is that it only contains the company IKEA which has a quite complicated corporate structure. This structure does not allow much transparency. With another Swedish company or a company operating only in Sweden the result of this study might have been different from this one.

Furthermore, the problem which the authors of this thesis discovered was that even if IKEA is originally Swedish, now it is not completely Swedish anymore (see section 4.2.1). But the concept is still the same and it focuses on Swedish values as in the beginning. Nonetheless the research shows that IKEA cannot be applied to the Swedish legal framework easily. The study focused only on IKEA in general but the law part was focused on Sweden. IKEA in general is the same around the world and a special focus on IKEA in Sweden was not done by the researchers. This is a limitation of the application of this study which is therefore not possible to generalize.

Also the fact that access to primary data in form of an interview with a manager in Sweden was not possible limits the range of the information on IKEA’s strategy and therefore the outcome of this study. It was difficult to do a detailed analysis. As the analysis is primary based on the researchers’ abilities to evaluate the quality of words the discussion is not useful as a source of evidence for further research studies. Discussions on how the analysis was applied are possible, too. It is for example questionable if an overlapping timeframe is a reason to say that there is no direct link and others might disagree. Also the analysis’ result is based on culture’s separate influence on law and strategy making and then a connection between law and strategies, but it is not presented by the authors that law can influence strategies and culture separately and then culture influences strategy making. This possibility is left out because the other way around seems to be more rational for the authors of this thesis. All in all this analysis can only give some point of views and be a source of ideas for other researchers but it does not provide a clear and detailed answer. At the same time the research fulfills its purpose which was to question and to discuss.
6.3 Suggestions

After the study of this topic the authors of this thesis have several suggestions concerning this research area, the practice and future marketing orientation.

For further research it can be suggested to choose a different research approach. It could be better not to only use a qualitative research but to combine qualitative and quantitative in order to present statistics which support the qualitative interpretation. The quantitative approach could be based on several companies, maybe not global but only Swedish, by doing a questionnaire research. This could evolve into a statistic showing a comparison how many of these companies can agree with a direct or indirect influence.

Supplementary a study in this area could also focus on companies, or a detailed case study on the example of one big company, coming from outside of Sweden and entering the Swedish market/production locations. In such a case the direct impact of the Swedish regulations could be more visible. Also the approach of the marketing strategy on the Swedish market could be observed clearer.

As Sweden belongs to the European Union it can also be questioned how much the Swedish framework compared to the European legislation influences a Swedish company in the EU. In addition to that, like in the case of a global company like IKEA, the global level could be interesting for further research, too.

Further suggestions for governments and companies are provided after this research study.

In the opinion of the authors of this thesis, governments should work more together to establish tougher regulations, for example more quality controls and special labeling as already exists on the European level. That would implicate that all global companies would have to follow regulations on the same levels worldwide. Additionally that would lead to a closer relation and teamwork between global companies so that the global economy could be improved.

More implications for companies also exist in the area of marketing practice. The researchers of this study create the marketing argument for companies to go beyond the law and enhance their positions on the markets. A current example, from the year 2010, is the oil catastrophe in the Gulf of Mexico. This threatens the water area and its inhabitants, but also humans who come in contact with the polluted water and corporations who actually did depend on this oil. But in terms of marketing the worst impact is that on the reputation and practices of the company who ran the oil pipeline. According to the stated suggestion this company will now have to improve its market position by putting more effort on its future marketing practices by going beyond legislation. This could happen by ensuring technical and safety standards to a higher level globally. Another idea is to invest more into the research and development of renewable sources of energy so that the dependency on oil as a source can be reduced.

Summary

This thesis sought the purpose of questioning and discussing to which extent legal frameworks influence marketing strategies in the case of IKEA and law in Sweden. The relation between IKEA and the law in Sweden can be named as weak. In the practice of sustainable development and CSR, ethical and cultural values play as an important role as legal regulations. As this study was applied to IKEA only, further research about the link between legislation and marketing could help to complement this research area. All in all, changing governments’ attitudes and focus on global orientation could lead to changing companies’ behavior and strategies in the future.
Appendix i
Detailed outline of the Swedish laws:

- **1977: Work Environment Act** (Brief content: The state of the work environment has to be satisfactory to be preventing illness and accidents for the workers. Safety precautions and appropriate work equipment have to be provided by the employers.)

- **1979: Forest Management Act** (Brief content: Woods are seen as a national asset which should be managed sustainably as a renewable resource so that biodiversity is maintained.)

- **1982: Working Hours Act** (Brief content: Regular working hours shall not surpass more than 40 hours per week; on-call hours/overtime/additional hours are only allowed to be performed if they don’t exceed a certain amount.)

- **1987: Planning and Building Act** (Brief content: The planning of land use, operations in water areas and building of housing shall be considering the best suitability for these areas and equal as well as good living conditions. Such plans require permission and have to be handed in beforehand to the authorial municipality.)

- **1994: Act on Technical Requirements for Construction Works, etc** (Brief content: Construction works like buildings and other civil engineering works are supposed to meet the requirements of capacity & safety in terms of health and accessibility plus contain economical management of water, energy and waste.)

- **1995: Annual Reports Act** (Brief content: Companies with a certain size and high income have to publish an annual report which contains a true and fair view of the evaluation of the company's operations, financial position and results; the report should also provide further information, as for example on expected future developments, material risks, research and development and branches abroad.)

- **1997: Electricity Act** (Brief content: The transmission of electrical power which shall be of good quality must be guaranteed by the suppliers who additionally have to provide information about the origin of the electric power. The act also contains further regulations on the installation of electric power networks, network tariffs, security and liability.)

- **1998: Ordinance concerning Environmentally Hazardous Activities and The Protection of Public Health** (Brief content: Activities like the construction and operation of factories, release of waste water and other solid waste, require authorization as they might be hazardous for the environment and public health.)

- **1998: The Chemical Products (Handling, Import, and Export Prohibitions) Ordinance** (Brief content: Some products containing chemicals which are considered to be dangerous for human health and the environment are prohibited in the use of sale, packaging or production inside Sweden or just in certain amounts.)

- **2000: Ordinance concerning the Annual Reports and Budget Documentation** (Brief content: This ordinance applies to the agencies which are reporting directly to the government and are disposed with a governmental budget. Annually a report containing statements of the financial position, plans and other performances has to be handed in.)
• 2001: Ordinance on Environmental Quality Standards on Ambient Air (Brief content: The air in the cities and on the countryside should not contain more than certain amounts of chemicals like dioxides which diminish the quality of fresh air. The level of the air pollution shall be controlled by authorities and reported to the European Commission.)

• 2002: Prohibition of Discrimination of Employees Working Part Time and Employees with Fixed-term Employment Act (Brief Content: In terms of payment, working and other conditions employers are not allowed to distinguish between part-time and full-time works.)

• 2005: Act on the Obligation to Supply Renewable Fuels / The Pump-Act (Brief content: From 2006 all major filling stations in Sweden are obliged to offer renewable fuels, such as ethanol and biogas. This is meant to increase the availability of renewable fuels for consumers.)

• 2005: Ordinance on Deposit-and-Return System for Plastic Bottles and Metal Cans (Brief content: commercial distribution of drinks in plastic bottles and metal cans in Sweden can only take place if an approved deposit and return system is existing; the bottles and cans must be labeled correctly according to the used system.)

• 2005: Natural Gas Act (Brief content: the government is in charge of building of natural gas pipelines, storage/gasification plants and of the natural gas system management; the proprietor of natural gas pipelines and storage/gasification plants is responsible for safeguard and efficient supply.)

• 2006: The Plant Protection Ordinance (Brief content: Products meant to protect plants, and does not include pesticides, shall be reviewed and tested by the Swedish Chemicals Agency in order to control the approval to the Environmental Code, chapter 14; the aim is to protect plants from chemical harm.)

• 2007: Ordinance on Producer's Responsibility for Certain Radioactive Products and Orphan Sources (Brief content: A producer who works with and distributes certain radioactive products and orphan sources or such which were in contact to these during the production, is obliged to work in manners of protection from radiation, take care of the waste and mark his products correctly.)

(Sources: Office for Administrative Affairs, 2010; Notisum, 2009)
References


