



BRNO UNIVERSITY OF TECHNOLOGY

VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ

FACULTY OF BUSINESS AND MANAGEMENT

FAKULTA PODNIKATELSKÁ

INSTITUTE OF ECONOMICS

ÚSTAV EKONOMIKY

CRITICAL EVALUATION OF CONCRETE MNE'S CSR AS A COMPETITIVENESS FACTOR

KRITICKÉ ZHODNOCENÍ SPOLEČENSKÉ ODPOVĚDNOSTI VYBRANÉ MEZINÁRODNÍ ORGANIZACE
JAKOŽTO FAKTORU OVLIVŇUJÍCÍ KONKURENCESCHOPNOST

MASTER'S THESIS

DIPLOMOVÁ PRÁCE

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BRNO 2019

Zadání diplomové práce

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Studijní program: Economics and Management
Studijní obor: European Business and Finance
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Akademický rok: 2018/19

Ředitel ústavu Vám v souladu se zákonem č. 111/1998 Sb., o vysokých školách ve znění pozdějších předpisů a se Studijním a zkušebním řádem VUT v Brně zadává diplomovou práci s názvem:

Kritické zhodnocení společenské odpovědnosti vybrané mezinárodní organizace jakožto faktoru ovlivňující konkurenceschopnost

Charakteristika problematiky úkolu:

Úvod
Teoretická východiska práce
Analýza současného stavu CSR ve společnosti Lush
Vlastní návrhy řešení
Závěr
Seznam použité literatury
Přílohy

Cíle, kterých má být dosaženo:

Hlavním cílem je zhodnocení aktuální CSR strategie společnosti Lush Cosmetics Limited v kontextu jejího vlivu na konkurenceschopnost společnosti.

Základní literární prameny:

Bhattacharya, C., Korschun, D. and Sen, S., (2008). Strengthening Stakeholder –Company Relationships Through Mutually Beneficial Corporate Social Responsibility Initiatives. *Journal of Business Ethics*, 85(S2), pp.257-272.

Carroll, A. B., (2015). Corporate Social Responsibility: The Center Piece of Competing and Complementary Frameworks. *Organizational Dynamics*, 44(2), pp.87-96.

Garriga, E. and Melé, D., (2004). Corporate Social Responsibility Theories: Mapping the Territory. *Journal of Business Ethics*, 53(1/2), pp.51-71.

Porter, M.E., and Kramer, M.R., (2006). Strategy & Society. The Link Between Competitive Advantage and Corporate Social Responsibility. Harvard Business Review, 78-92.

Simanaviciene, Z., Kontautiene, R. and Simanavicius, A., (2017). Assumptions of Corporate Social Responsibility as Competitiveness Factor. Montenegrin Journal of Economics, 13(3), pp.149-160.

Termín odevzdání diplomové práce je stanoven časovým plánem akademického roku 2018/19

V Brně dne 31.3.2019

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Abstract

The diploma thesis main aim is to critically evaluate corporate social responsibility (CSR) strategy of Lush Cosmetics Limited (Lush) and explore the relationship between CSR activities and competitiveness. The theoretical and literature review part of the thesis introduces the theory of competitiveness and corporate social responsibility concept. Moreover, the literature on the relationship between long-term competitiveness and CSR dimensions are discussed. The analytical chapter explores Lush's CSR activities through the hybrid of Porter's value chain analysis and content analysis of the company's main communication channels. The findings of the theoretical review serve as a foundation for the construction of the online survey investigating customers perception of CSR and Lush. Author critically evaluates the Lush's CSR strategy, discusses linkages between company's CSR, customers and competitiveness, and highlights where improvements could be made.

Abstrakt

Hlavním cílem této diplomové práce je kritická analýza strategie společenské odpovědnosti (CSR) firmy Lush Cosmetics Limited (Lush) a objevení vztahu mezi CSR aktivitami a konkurenceschopností. Teoretická část práce představuje teorie soutěže a koncept společenské odpovědnosti. Následuje diskuze studií vztahu dlouhodobé konkurenceschopnosti firmy a složek CSR. Analytická část zjišťuje CSR aktivity společnosti Lush pomocí hybridu Porterovy analýzy hodnotového řetězce a obsahové analýzy hlavních komunikačních kanálů společnosti. Teoretické závěry z první kapitoly posloužily jako základ pro konstrukci online dotazníkového šetření na téma zákaznické percepce CSR a společnosti Lush. Autor kriticky hodnotí CSR strategii Lush, diskutuje průsečíky mezi CSR, zákazníky a konkurenceschopností, a také poukazuje na možná zlepšení.

Key words

Corporate social responsibility (CSR), competitiveness, multinational enterprise (MNE), business ethics, cosmetic industry.

Klíčová slova

Společenská odpovědnost organizací (CSR), konkurenceschopnost, mezinárodní organizace (MNE), podnikatelská etika, kosmetický průmysl.

Bibliographic Citation

SUŠILOVÁ, Vendula. *Kritické zhodnocení společenské odpovědnosti vybrané mezinárodní organizace jakožto faktoru ovlivňující konkurenceschopnost* [online]. Brno, 2019 [cit. 2019-06-26]. Dostupné z: <https://www.vutbr.cz/studenti/zav-prace/detail/120225>. Diplomová práce. Vysoké učení technické v Brně, Fakulta podnikatelská, Ústav ekonomiky. Vedoucí práce Stanislav Škapa.

Declaration of Originality

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In Brno, 27th June 2019

.....

Vendula Sušilová

Acknowledgements

I would like to express my sincerest gratitude and appreciation to my supervisor doc. Ing. et Ing, Stanislav Škapa Ph.D. for his valuable guidance, useful advices and help during writing of this thesis.

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Introduction

Adam Smith, widely regarded as “*the father of economics*”, formulated the roles of self-interest and competition as the catalyst and the regulator of economic activity (Smith 1776). Michael Porter later added that competitiveness refers to corporate’s ability to resist its competition over a long period of time given the objectives of increasing its market share, gaining access to the international market, growing sustainably and performing profitably (Porter 1998b). The micro-level of competitiveness in particular, lies in the competitive ability of the enterprises to use effective methods while pursuing such objectives on a specific market (Porter 1998a). In order to maintain long-term competitiveness, multinational enterprise (MNEs) ought to acknowledge the ultimate interaction of factors determining the quality of its environment and own competitive abilities within the industry (Porter, Ketels and Delgado 2012).

The subject of corporate social responsibility (CSR) has been enlivening the debate of academics for decades now. In 1970s, Johnson identified enterprise which balances the profit for stakeholders and interest of other stakeholders as a “*responsible firm*” and defended the CSR as a tool that can contribute to business’s long-term profit (Johnson 1971, pp.50-77). In the context of competitive positioning strategy of corporations, a number of protagonists highlights the implementation of CSR possibly resulting in an increase of corporate competitiveness (Carroll and Shabana 2010; Simanaviciene, Kontautiene and Simanavicius 2017) and synergetic value creation both for enterprise and society (Ceglińska and Cegliński 2014; Morrison and Bridwell 2011).

Recently, the phenomenon of globalization resuscitated the interest in CSR discussion among managers (Morrison and Bridwell 2011) and the global cosmetics industry might not be an exception. Along with the international strategy of globalisation, corporations are being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. New challenges emerge that influence the business activities the corporations engage in. In a contrast with Freeman’s only corporate responsibility of making a profit (Freeman 1970), managers now must discuss how to achieve business sustainability and compete with new competitors, how to survive depressed economies and satisfy more critical and better-informed customers. Moreover, how can this all be done at the time when business leaders are considered less trustworthy than ever before (Burnes 2017; Grunert 2018; Lerro et al. 2018). Hence, to the economic

obligation of the business, the social and environmental responsibilities might be added (Carroll 1999).

According to literature, consumers play a key role in CSR management and evaluation (Bhattacharya and Sen 2003; Du, Bhattacharya and Sen 2007; Morrison and Bridwell 2011; Smith and Langford 2009). Most significant evidence was found on the connection of CSR efforts and customer brand loyalty (Bhattacharya and Sen 2003; Du, Bhattacharya and Sen 2007). Smith and Langford (2009) expressed that the scope and used channels of CSR communication are crucial.

In 2011, Morrison and Bridwell proposed a perspective of “*Consumer Social Responsibility*” (p.149). According to this, consumer always pursue convenience and individual self-interest over ethical aspects connected to the product. Authors argued, that as long as consumers are not willing to pay higher price for products created in an ethical business environment, the only economical reason for a corporation to invest in CSR is the positive public relations. Hence, the customer’s perception of CSR needs to be investigated as a powerful determinant of efficient CSR (Morrison and Bridwell 2011).

As a part of appropriate theory analysis, the investigated international strategy must be set in a concrete industry and evaluated based on reality-data (Porter 1986). As the generous amount of literature already supported linkages between CSR and competitiveness to different extends, the results differ from MNE to MNE and from industry to industry (Kurucz, Colbert and Wheeler 2008; Vogel 2006). Hence, the discussed theory must be put into context of concrete enterprise within its industry.

The global cosmetics market reached the size of €471,182 billion in 2017 (Zion Market Research 2018) and its European segment was valued at €77.6 billion. Such a figure makes Europe the largest market for cosmetic products in the world (Cosmetics Europe 2018). Moreover, the industry is still expected to grow (Rajput 2016; Zion Market Research 2018). The European niche market with natural cosmetics experienced a growth as well as the consumer awareness in number of global ethical issues continuously strengthens (Cosmetic Business 2019).

Simultaneously with the grow of cosmetics industry and CSR element within, various number of ethical issues have appeared ranging from misleading advertisements to unethical business practises towards stakeholders, environment or animals (Brucclieri 2018; Fowler, Reisenwitz and Carlson 2015; Kangas 2017). According to the study from

2015, analysed claims about the personal care products and concluded that they were more often classified as misleading than deemed as acceptable (Fowler, Reisenwitz and Carlson 2015). Therefore, setting the research on CSR as a factor of competitiveness into the arena of cosmetics industry seem to be challenging, but still appropriate.

Lush Cosmetics Ltd, the manufacturer and world-wide retailer of fresh hand-made cosmetics was founded in 1994 in UK (Loeb 2017). Up to June 2017, the company had managed to open 932 stores and 7 manufacturing facilities in 49 countries around the world. Since pursuing its global vision, Lush has obtained a significant market share within the industry, especially considering the niche market with “*natural*” and “*ethical*” cosmetics (Lush Cosmetics Ltd 2017; Lush Fresh Handmade Cosmetics UK 2019t).

By some, the management of Lush is being viewed more as a group of “*hippie*” activists using business as an exhibition tool than businessmen engaging in CSR. Rather than calling itself an “*ethical company*”, Lush tends to explain its business practises as not something ethical, but something that should be regarded as usual in the modern world (Lush Fresh Handmade Cosmetics UK 2019b; Smart Company 2016).

Following up on the company’s often very controversial or risky CSR campaigns, great portfolio of social and environmental activities, and nowadays still uncommon business policies and stakeholder management, Lush Cosmetics Limited and its CSR strategy has been chosen as subject of this master’s thesis. Hence, the main aim is a critical evaluation of CSR of Lush Cosmetics Limited regarding its correlation to the competitiveness of the company.

Methodology

The analysis is structured to investigate Lush’s three main dimensions of CSR: economic, social and environmental responsibilities. Following up on the broaden view of the CSR concept (Carroll and Shabana 2010), the segment of philanthropy was added into the structure, despite individual literatures criticizing its appendence to the subject (Friedman 1970; Lin-Hi 2010).

In order to critically evaluate the economic responsibility of the company, the performance analysis was incorporated. The measures used are LFL (like-for-like) growth sale indicator and operational profit of the whole corporation (all subordinate affiliates included). Further, Author evaluates the shareholder management of the company, more specifically the dividend policy Lush applies, funding system and overall

stakeholder management. This concludes the economic responsibility dimension of this research.

Social and environmental elements of CSR strategy are analysed through content analysis of sources as annual reports, websites, social media and relevant online articles incorporated into the Value Chain analysis with the social impact modification offered by Porter and Kramer (2006). Numerous concrete CSR efforts were identified at each level of the value chain as well as the communication channels Lush uses. This specific hybrid analysis allows finding the intersections of the affected areas of Lush's business procedures and the company's selection of CSR activities, and also concludes the social and environmental CSR responsibility dimension of this research.

Following instructional model used is a SWOT analysis yielding in constructing SWOT matrix. The model eases putting the findings of previous CSR dimension analyses into the context of Lush micro-level competitive abilities. To evaluate the element of customer perception of Lush's CSR strategy, online survey was conducted that provides the final input into the critical evaluation of Lush's CSR as a factor possibly increasing the company's competitiveness.

1 Theory and Literature Review

The theoretical and literature review covers the areas of the importance of competitive strategies in international strategic management, at a micro-level in particular as well as it introduces the historical and conceptual development of the CSR. This is being followed by exploring the literature connecting the competitive strategies and CSR as well as putting this in the context of modern business, cosmetics industry. Additionally, theory on the role of customers in CSR and competitive positioning strategy is reviewed.

1.1 Competitiveness

Adam Smith set the foundations of economics around the notions of specialization within enterprises, specialization across countries, and the power of unencumbered competition (Porter 1998a, p.7). The forces of self-interest and competition have been viewed as powerful economic drivers since 1776. According to Adam Smith, the self-interest serves as a catalyst and the competition as the regulator of economic activity (Smith 1776; Smith 2019). Nowadays, competitiveness generally refers to corporate's ability to resist its competition over a long period of time given the objectives of increase its market share, to gain access to the international market, to grow sustainably and to perform profitably (Porter 1998b). Further, specific focus of enterprises in competing through the use of effective methods on a given market (e.g. market with natural cosmetics) is usually described as competitiveness at the micro-level (Porter 1998a). Porter, Ketels and Delgado's findings from 2007 revealed the crucial importance of microeconomic competitiveness for sustainable economic prosperity of corporation. *"Unless microeconomic capabilities improve, sustainable improvements in prosperity will not occur"* (Porter, Ketels and Delgado 2007, p.51).

According to authors' (Simanaviciene, Kontautiene and Simanavicius 2017) observation, competitiveness at micro-level is dependent on two main factors: the quality of micro-economic business environment and the competitive abilities of the corporation (p.151), which are elaborated in the following two sub-chapters.

1.1.1 The Quality of Micro-Economic Business Environment

Beside the macro-economic factors underpinning successful economy, the company's performance is driven by the its micro-economic abilities. In the context of MNEs it comprehends the business sophistication of both local and subsidiaries of the multinationals. *"Unless microeconomic capabilities improve, sustainable improvements in prosperity will not occur"* (Porter, Ketels and Delgado 2007, p.51). The factors effecting the business environment at the micro-level are:

- the sophistication of enterprise's strategy and management processes,
- the quality of the human capital resources,
- the increase of product/service demand,
- the development of related and supporting sectors,
- the efficiency of natural resources utilization (Delgado et al. 2012; Porter, Ketels and Delgado 2007, p.51).

1.1.2 Interaction of the Competitive Capacities of the Business and Determinants of the Micro-Environmental Quality

Porter, Ketels and Delgado emphasised that the macroeconomic and external microeconomic factors *"improves the opportunity to create wealth, but does not create wealth"* (2012, p.51). The productivity generates wealth while depending on the microeconomic capability of the economy, the quality of micro-environment, and supporting industries. In order to maintain long-term competitiveness, businesses must acknowledge the ultimate interaction of factors determining the quality of business environment and related company's competitive abilities at the micro-level.

The company's competitive ability within the sophistication of business strategy and management processes were determined as the flexibility, based on available resources and responsiveness to the needs of stakeholders and the management's efficiency in decision-making, ensuring communication, cooperation and exchange of information (Delgado et al. 2012; Porter and Kramer 2002, p.60; Porter, Ketels and Delgado 2007, p.51; Simanaviciene, Kontautiene and Simanavicius 2017, pp.151-153).

The factors affecting the level of human capital resources quality are: loyalty and motivation, high professional qualification, professional knowledge and skills, and

cognitive and creative skills (Delgado et al. 2012; Porter and Kramer 2002, p.60; Porter, Ketels and Delgado 2007, p.51; Simanaviciene, Kontautiene and Simanavicius 2017, p.152).

The efficiency in the use of natural resources mostly interacts with business-related factors as cost-conscious use of natural resources, material recycling and secondary use of production parts, reduction of environmental pollution and waste, energy saving (Delgado et al. 2012; Porter and Kramer 2002, p.60; Porter, Ketels and Delgado 2007, p.51; Simanaviciene, Kontautiene and Simanavicius 2017, p.152).

The product and service demand growth creates an opportunity for the company to generate wealth. In order to use such a condition to company's leverage, one must secure following: quality of product and services, reasonable price, innovative products/services, long-term relationship with customers (Delgado et al. 2012; Porter and Kramer 2002, p.60; Porter, Ketels and Delgado 2007, p.51; Simanaviciene, Kontautiene and Simanavicius 2017, p.152).

Corporation's capability to benefit from partnerships with suppliers, clusters and other common forms of activity within the related and supporting sectors of its business, will determine the actual increase in level of increase in company's long-term competitiveness (Fensterseifer and Rastoin 2013; Delgado et al. 2012; Porter and Kramer 2002, p.60; Porter, Ketels and Delgado 2007, p.51; Simanaviciene, Kontautiene and Simanavicius 2017, p.152).



Figure 1: Long-term competitiveness interacting increase factors (Simanaviciene, Kontautiene and Simanavicius 2017, p.152; edited by Author).

1.2 Corporate Social Responsibility

The 21st century brings several changes into social and economic environments that have deeply influenced business activities and strategies (Davis 2010, p.9). According to recent literature, new challenges emerge along with the international strategy of globalisation that influence the business strategies and activities the corporation engage in (e.g. how to achieve sustainability, how to continue to grow and manage an increasingly diverse workforce, how to compete with new competitors, how to survive in falling markets and depressed economics and face the collapse of customers, suppliers, competitors, even financial institutions and how to “do a business” at the time when business leaders are considered less trustworthy than ever before, id est how to manage ethically (Burnes 2017; Lerro et al. 2018, p.689). Multinational companies face unpredictable market environments in which they have to differentiate themselves to remain competitive and deliver products that more than ever meet customer expectations and social concerns (Lerro et al 2018, p.689). Withal, customers are becoming more

careful about the consequences of their choices for the environment, society, and future generations (Grunert 2018, pp.207-208). Businesses are then being challenged to incorporate “*broader responsibilities to society*” rather than “*just*” supply the ordinary product/service demand (Carroll 1999, pp.274-275; The Committee of Economic Development of The Board 1971, p.16).

Along with the recent development discussed above, the interest in CSR has grown globally as there is a significant sphere of literature (e.g. Du, Bhattacharya and Sen 2007; Ducassy 2013; Molina-Azorin et al. 2015; Porter and Kramer 2006; Souto 2009; Woan Ting, Ramasamy and Chew Ging 2010) supporting the premise that concept of CSR can serve as advantage both to the enterprise and society (Ceglińska and Cegliński 2014). By the same token, the corporations should engage in CSR efforts due to the mutual dependence in society (Garriga and Melé 2004, p.52; Morrison and Bridwell 2011, p.144).

To gain a deeper insight into whether or not there is a direct or indirect connection of CSR activities and competitiveness, author will conduct a literature review of related studies on conceptual development of CSR, defining CSR, identifying CSR main elements, classification of CSR approaches and the linkage with the increase of long-term competitiveness in the following sub-chapters.

1.2.1 Conceptual Development of CSR Theory

In the following chapter, the development of the CSR concept from the initial thought of responsible businessmen to strategical tool of increasing competitiveness of an ethical corporation will be review.

First Signs of Social Responsibility in The Businesses – 1830s

„*The man who dies thus rich dies disgraced*“ (Carnegie 1889, p.664).

The corporate social responsibility (from now only CSR) is a subject of an impressive academic debate since the beginning of 20th century (Wood 1991). Honourable mentions belong to authors from 1930s and 1940s (Carroll 1999, p.269). Most evident writings come from the United States - Chester Barnard's (1938) *The Functions of the Executive*, J. M. Clark's (1939) *Social Control of Business*, and Theodore

Kreps' (1940) *Measurement of the Social Performance of Business*. Authors Carroll and Shabana saw the first greater social efforts in Frank Abrams' efforts, a former executive with Standard Oil Company in New Jersey, who argued that companies had to start thinking also about their employees, customers and the public at large, not the profit only (2010, p.86).

Historically, Drucker (1984) saw the first signs of social reforms entailing responsibility of the businessmen towards communities in two American radical innovators, the Andrew Carnegie (born 1835) and Julius Rosenwald (born 1862).

Carnegie, often identified as one of the richest men in history, was a successful business magnate and philanthropist who came to a conclusion that the sole purpose of becoming rich is to be a philanthropist and that the wealth comes with social responsibility (Carnegie 1920; Ducker 1984). Carnegie claimed he had the responsibility to give back from a position of the business “*owner*”, therefore he set the very first tone for the academics, businessmen and many others of what is known as social responsibility of the corporates. The vision of a rich businessman as a social reformer was uniquely followed by names as John D. Rockefeller or Henry Ford (Ducker 1984).

Similarly, Rosenwald believed that one has to be able to do good in order to do well (Ducker 1984). Rosenwald was a Jewish son at the beginning of building the biggest mail ordering catalogue and retail company in the America when he learned about the responsibility of giving to others, less successful, from the position of a business “*manager*” (Ascoli 2006; Ducker 1984). The Rosenwald's followers with the most profound impact were General Robert E. Wood (head of the Sears, Roebuck and Company) and James Couzens who started his carrier as a co-founder of the Ford Motor Company, later became Mayor of Detroit, then U.S. Senator from Michigan and was one of the fathers of the New Deal. He introduced skill training as a business responsibility to the Americans and established the “*five dollar a day*” wage to fight against exploited work force which immediately proved to be a highly profitable factor on the market (Ducker 1984).

Launch of CSR in the Academic Field – 1950s

“The one who’s repeatedly preaching about the need for collective responsibility is trying to conceal his individual irresponsibility” (Andrei, 2018).

The modern literature on the topic started with the launch of Bowen's book (1953) in which he introduced the importance of balancing the economic with social and environmental needs (Carroll 1999, p.269). The book *Social Responsibility of the Businessman* was the first academic discussion on businesses' obligation toward society that goes beyond economic performance. Following his first work on the topic (Friedman 1962), Friedman famously stated a few years later that "*there is one and only one social responsibility of business; to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud*" (Friedman 1970, p.184).

Friedman claimed that accepting the social responsibility doctrine involves the acceptance of the socialist view; hence doing a business within a political mechanism, not within a market mechanism (Friedman 1970). Generally speaking, the author argued that corporations can only serve their society by being efficient, employing workers, increasing returns for the shareholders while providing goods and services at the appropriate price, quality and availability (Smith and Langford 2009, p.98). Friedman also argued, that if the free market is not capable of solving social problem, the government and legislation are the responsible ones, not the business (Carroll and Shabana 2010). Eventually, the approach became known as a "*shareholder theory of business*" (Ferrero, Hoffman and McNulty 2014).

Davis (1973) supported shareholder model by pointing out that the managers of corporates are in their position because of their orientation in finance and related operation to the business, which can arguably make them capable of making any socially oriented decisions. Additionally, Davis believed the corporates obtain already a quite amount of power and he ask why they should be given even more. Hayek (1969) added that transforming the corporate strategy with the adoption of CSR objectives would only dilute the proper aim of the business in the first place. Another articulated claim against the CSR theory was the issue of becoming less competitive.

While Friedman's theory of shareholder primacy was a leading guideline for majority of businesses since 1970s (Kakabadse et al. 2013, p.64), other authors following the perspective of Bowen (1953) tried to find out what actually could be or not identified as a corporate's social responsibility (Carroll 1979; Davis 1973; Frederick 1986; Kakabadse et al. 2013); hence set the tone for modern era of CSR (Carroll, 1999, p.268).

The Stakeholder Theory – 1980s

The “*stakeholder approach*” arose as a counterpartying framework to the shareholder theory (Post, Preston and Sachs 2002, p.8) and as a substitute of the inefficient theories in the constantly changing business environment of 1970s (Hitt, Freeman and Harrison 2001, p.185; Freeman 1984, p.5). Stakeholders, the individuals or organisations that are highly interested in company’s performance and contribute (voluntarily or involuntarily) to its wealth-creating capacity and activities, hence potentially bear the risk and/or obtain benefits, are contemporarily a significant component of assets when needed to start rivalry, cooperation or forge prosperity (Cegliński and Wiśniewska 2017, p.13; Post, Preston and Sachs 2002, p.8).

Unlike other of the early strategic management theories, the stakeholder concept from Freeman (1984) was created out of management practice (Freeman 2004, p.230; Hitt, Freeman and Harrison 2001, p.185). The intellectual history of the whole concept roots far beyond the booming use of the term “stakeholder” in 1980s (Donaldson and Preston 1995, p.65; Freeman 2004, p.229).

The stakeholder theory builds on following arguments:

1. Under all circumstances, we have to consider effect of our actions on others (all the stakeholders, shareholders included),
2. In purpose of argument (1), we need to continuously expend our knowledge in stakeholders’ behaviour, values and background as well as having a clear answer to “what we stand for” (Freeman 2004, p.231),
3. To answer the question from the previous point and develop an enterprise strategy accordingly to that answer, Freeman laid out a typology of five enterprise strategies (Freeman 2004, p.231; Freeman 2010, pp.100-107).
4. The relationship with stakeholders should be analysed at three levels simultaneously: Rational, Process and Transactional level,
5. With these new insights we can engage stakeholders in to the strategic planning processes and develop new structures, processes and business functions,
6. The interests of the company’s stakeholders need to be balanced over time (Freeman 2004, p.231).

In the later literature, the Friedman's shareholder approach - in the field of strategic management – *the stakeholder management* (Freeman and McVea 2001, p.10) - finds its both continuous support (Jahn and Brühl 2016; Orlitzky 2015; Proimos 2008) and growing criticism (Davis 1973; Edmans 2012; Ferrero, Hoffman and McNulty 2014; Hill 1998; Maxfield, Wang and Magaldi 2016; Martin 2010; Mertens 2013). Separately from the Freeman's stakeholder approach being criticized (Key 1999; Sternberg 1997), a gradual attention aims towards specification of CSR and its elements (Wood 1991, pp.62-63).

CSR as a Core Construct of Related Theories

Later in the 20th century, other theories regarding the concerns of stakeholders were developed, however according to Freeman, there seems to be no need for additional approaches as long as they cover implications of his founding argument (2004, p.231). Simultaneously, other authors observed that the term is often being used with quite different meanings (Garriga and Melé 2004, pp.51-53; Votaw 1972, p.25). For example, Freeman criticized the concept of an “*apology*” (referring to CSR) for business being about the money, therefore some “*social compensation*” in the form of CSR efforts is necessary. “*If you change the underlying narrative of business to see it as - creating value for all stakeholders -, then CSR just isn't necessary*” (Freeman and Moutchnik 2013, p.6).

Similarly, Carroll (2015) reviewed the historical development of CSR and other derivatives to conclude that modern business practitioners do not fancy obtaining responsibilities; hence they follow Friedman's point of view to have the “*make a profit*” obligation only (1970). Carroll believed this is why the concepts of corporate social responsiveness and CSP spread so eagerly (Carroll 2015, p.91). He argued that CSR finds its foundation in motivation of one's actions while responsiveness is more “*action oriented*”: “*responsiveness was [in mid-seventies] seen as a more comfortable term in that it simply implied businesses were, in fact, responding to issues they saw in society*”.

The CSP Carroll viewed as a concept directly focused on achievements (omitting the motivation and processes). “*These variants of CSR did not alter its basic meaning, but they did refocus the emphasis – thus making the concept more palatable to some practitioners*”. Overall, in the modern world the CSR has developed a broad acceptance in the academic and business debate and in majority of the cases includes the motivation

(responsibility), processes (responsiveness) and results (performance) (Carroll 2015, p.91).

Therefore, in the correlation with the perspective of the author mentioned above (Carroll 2015; Freeman 2004; Freeman and Moutchnik 2013; Garriga and Melé 2004; Votaw 1972) and the focus of this paper, the terminology of the corporate social responsiveness (Sethi 1975), *issues management* (IM) (Wartick and Rude 1986), public responsibility (Preston and Post 1975), CSP (Preston and Post 1975; Sethi 1975), business ethics - BE, corporate *social responsibility approach*, moral management (Carroll 1991) and *shareholder theory* are considered to be complementary theories; hence have their role in the theoretical review within following chapters.

1.2.2 Defining CSR

The comprehensive overview of the development of CSR definition given by the most significant contributors to the subject is evaluated in this chapter.

Defining CSR in the Years 1953-2015

In the previous chapter, it was observed that there are many interpretations of the CSR concept or at least a number of CSR derivatives which to some extent overlap each other. Some (Smith and Langford 2009, p.107) even commented, that it is likely impossible to define CSR because of the lack of unified and definite understanding of it, others (Kakabadse et al. 2013, p.58) find it at least inefficient. This served as an impetus to review historical development of definitions provided by the most accredited contributors; hence gain a deeper insight into the field which might be helpful in the analytical part of this paper.

The modern era in the CSR literature initiated in 1953 with Bowen's book *Social Responsibilities of The Businessman*, in which regard few authors crowned Bowen as a Father of Corporate Social Responsibility (Carroll 1999, pp.270, 291). Bowen's definition set the foundation for later authors with referring the efforts towards a satisfied society to the "*obligations of businessmen*" (Bowen 1953, pp.6-44). The number of attempts to identify CSR (in any of its earlier forms) grew exponentially in 1960s (Carroll 1999, p.271). Davis built his definition on the assumption that socially responsible efforts should be taken by businessmen at least partially beyond their economic or technical

interest in order to be classified as socially responsible (Davis 1960, pp.70-72). Additionally, it seems that Davis was the first of the researcher to connect CSR efforts with the economic power from the longer-period perspective.

Frederick's definition from 1960 linked the businessmen's social responsibilities to operating in the economic system in such a way it fulfills public expectations (pp.54-61) and named a number of requirements for a working strategy of socially responsible businessmen (pp.59-61). McGuire provided a view on the business actions similarly to the citizens' one and as a very first contributor he saw the businessmen's CSR obligations located beyond their economic and legal obligations (McGuire 1963, p.144).

Davis and Blomstorm followed up on Davis contribution from 1960 and added the notice of the whole social system who can be affected by businessmen's decisions and actions (1966, p.12). Davis returned to the debate in 1967 when he emphasized the wider scope of consequences of institutional actions on the society over the consequences of person on the whole social system (pp.46-49).

Walton published the book *Corporate social responsibilities* within which he cut off the social responsibilities and businessmen and as the first (considering the honourable mentions of McGuire 1963 and Davis 1967) claimed that the institutions – businesses have the social responsibility (Walton 1967, p.18).

The academic debate on redefining the CSR concept continued in 1970s when Johnson overviewed the up-to-date contributions and offered his own which identifies the "*responsible firm*" as the enterprise who balances the profit for stockholder and interest of other stakeholders (Johnson 1971, pp50-77). His message that CSR efforts can contribute to the profit in the long-run is the most important and relevant for the subject of this paper (p.54).

Especially for the United States, a landmark contribution came from CED in 1971 (Carroll 1999, pp.274-275) who expressed the basic purpose of the business – to satisfy the needs of society, and the notion of change in public expectation regarding the social responsibility of corporates in time (The Committee of Economic Development of The Board 1971, pp.11-16). Further, The CED presented the three concentric circles of CSR to arrange the obligations the businesses have (The Committee of Economic Development of The Board 1971, p.15).

Steiner (1971) kept the economic responsibility of the business as its main function but aligned the social responsibility right next to it. He argued that the range of responsibility and the size of the corporate are positively related. In his extended definition the author talked about the “*enlightened self-interest of business over long-run*” but kept the wheel in the hand of the managers and their decision-making (Steiner 1971, p.164).

Three main aspects of working CSR definition were given in the debate of professors Manne and Wallich in 1972 – acceptance that the marginal returns of CSR efforts will be less than returns of alternative expenditure, the efforts must be based on voluntary decision of the firm and the effort itself must be quintessence of actual expenditure, rather than of individual generosity (Manne and Wallich 1972, pp.4-7). According to Walich, there were three main elements of engaging in CSR: setting objectives, deciding whether to pursue these objectives and finally, financing them (Manne and Wallich 1972, pp.6-7).

In 1973, Davis introduced the subject of his paper by mentioning two bipolar views on social responsibility – Samuelson (1971) and Friedman (1962). He then, based on his wider observation, extended his definitions from 1960 and 1967 by placing CSR beyond economic, technical and also legal obligations (Davis 1973, pp.312-313) of the firm and added that “*social responsibility begins where the law ends*” (p.313).

A quite different perspective was offered by Fitch (1976) who defined CSR as serious of attempt to solve social problems caused wholly or partially by the corporation (p.38). In the years 1979 and 1999, Carroll re-entered the CSR debate again and pointed out that historical development of CSR definition shares following: making a profit, obeying the law and going beyond – e.g. philanthropy (Carroll 1979, pp.499-500) and that economic function of business needs to remain a priority, especially in the era of economic capitalistic system (Carroll 1999, pp.283-284).

The 1980s were poorer in the sense of redefining the CSR, however, it was a period of more significant contributions to the research of CSR derivatives and alternative concepts (Carroll 1999, p.284). Jones (1980) stated that CSR is a more of process than set of outcomes and corporate’s efforts go beyond tradition responsibilities to shareholders while being fully voluntary and not forced by any law (Jones 1980, pp.59-

60). In 1983, Carroll added discretionary activities as voluntarism and philanthropy into his four-part definition (Carroll 1983, p.604).

Some authors claimed Peter Drucker to be the true father of the modern CSR (Webb, 2010) for his devotion to developing a new perspective in the academic field. Drucker explained the compatibility of profitability and responsibility (social problems) and followed that these can be turned into opportunities (Drucker 1984, p.62). Epstein tried to connect corporate responsibility, responsiveness and business ethics as he observed that to be in a close relation, even overlap (Carroll 1999, pp.287-288; Epstein 1987, pp.104-106).

The 1990s period was specifically rich in alternative concepts of CSR (e.g. CSP, stakeholder theory, BE theory, and corporate citizenship [CCS]) (Carroll 1999, pp.288-290). In 1991, Carroll made his return to the subject again and re-developed the three-dimensional pyramid (1979) by including the philanthropic component of the pyramid (Carroll 1991, pp.40-43; Carroll 1999, p.289). After the review of the history of the CSR concept, Carroll made the statement that researchers believe that making a profit is an activity beneficial only to the business itself, however, he claimed this “*economic viability*” is being done as well as the rest of CSR activities to the benefit of many (Carroll 1991, pp.40-43; Carroll 1999, p.284). Further, by discussing the Friedman’s use of the word “*social*” (Friedman 1984) and offering replacing it with “*shareholders*” he imparted “*names and faces*” to the most important societal members surrounding the company (Carroll 1999, p.43).

In 2015, Carroll went through his past work and put it in the context of modern trends in business: “*Today, CSR is more commonly seen by consumers, employees and the public to embrace those activities that are not required by law - the ethical and discretionary categories*” of the four categories from Carroll’s 1979 definition (Carroll 2015, p.90).

Finding a Suitable CSR Definition in the Context of Competition

To conclude, Author reviewed the most significant and relevant contributions to the academic debate of defining what actually lies behind the term *corporate social responsibility* throughout the years from 1953 to 2015. Similarly, as other researchers before, Author observed that the field had expanded significantly since the 1950s (Garriga and Melé 2004, p.51). In comparison to the initial meaning that had been presented until

1980s, modern CSR nowadays represents a conjunction of multiple theories, approaches as well as terms. Also, the term CSR had been used by many authors with different meanings (Garriga and Melé 2004, pp.51-53; Votaw 1972, p.25) and refers to the same core premise as the stakeholder business theory (if implemented primarily to the business mission) (Freeman 2004, p.231).

Votaw (1972, p.26) explained that to some, the social responsibility can be a pre-existing condition from the human nature as long as the successful economic performance is the only societal requirement for the private sector. To other, it can be an acknowledgement and adoption of evolving standards in a socially responsible fashion. Some businessmen could perceive the CSR as a strategy carrying the idea of legal responsibility or liability and others would prefer it simply in a manner of charitable contribution (p.25). *“Many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large”* (Votaw 1972, p.25). By the same token, Morrison and Bridwell overviewed that majority of definitions treat the corporation as an artificial entity that should act as any other living entity would as a member of society (2011, p.2).

1.2.3. Classification of CSR Theories

Garriga and Melé (2004) classified numerous CSR theories and derivatives into 4 groups according to what of the following aspects they were focusing on: economics, politics, social integration and ethics (p.51).

Instrumental theories

„Businesses exist to serve a purpose and by doing so and only by doing so will they generate profit in the long run“ (Edmans, 2015).

Instrumental theories as rooted on the premise that, before anything, corporate's social responsibility is to be an economic institution and related activities are considered to be the only interaction between society and the corporate. *“This group of theories could be call instrumental theories because they understand CSR as a mere means to the end of profits”* (Garriga and Melé 2004, p.52). Depending on the set economic objectives of

the corporate, these theories either aim towards the maximization of share price (short-term profit) or achieving competitive advantage in the long run.

Instrumental theories had gained a greater acceptance in business as modern business practitioners do not enjoy obtaining responsibilities other than making profit (Carroll 2015, p.91; Windsor 2001, p.226). Friedman's (1970) shareholder prominence serves as a fit to the instrumental group as the supreme (not the only) social responsibility of the corporate was claimed to be the maximisation of shareholder value. Friedman argued that socio-economic objectives are completely separate from the economic ones (1970, p.126; Garriga and Melé 2004, p.53). Instrumental theories following the objective of increasing competitiveness are elaborated in the Chapter 1.3.

Political theories

Political theories emphasize the social power of corporation, id est the corporate political responsibility associated with this power leads the businesses to acknowledge their social obligations as well as the rights and to participate in certain social cooperation (Garriga and Melé 2004, p.52). The most debated political approaches (p.55) are Corporate Constitutionalism and Corporate Citizenship (see Appendix 1 for the introduction of the concepts).

Integrative Theories

Garriga and Melé named theories considering the corporate's obligation to integrate social demands argue that the business's continuity, growth and existence is dependent on society, as the integrative theories (2004, p.52). The social demands should be incorporated in such a way that the corporate operates in accordance with current social values in its industry (pp.57-58). *"Basically, the theories of this group are focused on the detection and scanning of; and response to, the social demands that achieve social legitimacy, greater social acceptance and prestige"* (p.58). CSR related approach that suits the premise of focusing on social issues and how to manage them is the concept of *social responsiveness* (Sethi 1975). Ackerman (1973) called the phenomena of integration of social objective throughout the company *"the institutionalization"* (pp.93-94). Jones added that business's efforts (if possible) shall not be judged by outcomes but by the processes by which those were reached (1980, p.65). Later on, the concept was elaborated by authors Wartick and Rude as *"the processes by which the corporation can identify, evaluate and respond to those social and political issues which may impact*

significantly upon it” (1986, p.124). This extended concept became known as *Issues management* (Garriga and Melé 2004, p.58). Authors (Jones 1980; Preston and Post 1975), who criticized the process orientation of social responsiveness and its insufficiency proposed *the principle of public responsibility* to avoid signs of personal morality and to narrow the scope of responsibilities. Shift of the focus on the responsiveness to the generic issues (within strategic management) to the focus on the interests of groups who have a stake in the business is called *the shareholder management* (Freeman and McVea 2001, p.10). See Appendix 1 for more detailed introduction of the concepts mentioned above.

Ethical Theories

Ethical theory builds up the relationship between corporates and society with ethical values; hence views CSR from the ethical obligation perspective. Ethical theory assigns social responsibilities to the corporates while emphasizing their importance over the rest (Garriga and Melé 2004, p.53). In 1984, the stakeholder management become strongly ethics based as the Freeman pointed out in *Strategic management: A Stakeholder Approach* that managers have the “*fiduciary relationship to stakeholder*”. Following on that, working CSR ethical strategy of any firm starts with paying the simultaneous attention to the interest of all the stakeholders and finding the balance among them (Garriga and Melé 2004, p.60). Regarding a sufficient stakeholder theory, the generic definition had to be elaborated by many other researchers (e.g. Bowie 1998; Freeman 1994). Other ethical concepts are can be arranged into groups based on the philosophy roots: human rights - UN Global Compact (UN Global Compact 2019), The Global Sullivan Principles (Sullivan, 2019); sustainability – sustainable development (World Business Council for Sustainable Development 2000, p.2; World Commission on Environment and Development 1987, p.8).

1.3 CSR as an Instrument for Modern Business

“Most companies feel compelled to give to charity. Few have figured out how to do it well” (Porter and Kramer 2002, p.57).

The instrumental CSR theories with the emphasis on increasing the long-term competitiveness (Garriga and Melé 2004, p.52) were mentioned in the previous chapter.

This “*enlightened self-interest*” (Keim 1977; Steiner 1971, p.164) guides businesses towards an engagement in activities not only with a worthy cause but also with an opportunity to create, innovate shared value and gain competitive advantage (Carroll and Shabana 2010; Kurucz, Colbert and Wheeler 2008), “*that is, a meaningful benefit for society that is also valuable to the business*” (Porter and Kramer 2006, pp.80-84).

Garriga and Melé (2004, p.52) described this section of instrumental CSR approaches as strategies of the social investments in competitive context (Porter and Kramer 2002), strategies based on the natural resource view of the business and the dynamic business capabilities (Hart 1995; Lutz 1996) and strategies focusing on the bottom of the economic pyramid (Hart and Christensen 2002; Prahalad 2002; Prahalad and Hammond 2002).

From the historical and definitional overview in Chapters 1.2.1 and 1.2.2, the Author found out that first debate on relation between socially responsible decisions of businessmen and long-term economic benefit appeared in 1960 (Davis 1960, pp.70-72). The opponent view argues that socially responsible businesses must accept that the returns from CSR related expenditure are less (or even none) than the returns from alternative expenditure (Carroll 1999, pp.273, 276; Manne and Wallich 1972, pp.6-7; Morrison and Bridwell 2011; Walton 1967, p.18.).

It seems, that modern businesses lean towards the possibility of looking at the CSR activities as a strategic tool to balance self and public (stakeholders’) interest and gain a competitive advantage from it (Carroll and Shabana 2010; Ceglińska and Cegliński 2014; Morsing and Schultz 2006, p.323; Post, Preston and Sachs 2002, p.18; Porter and Kramer 2002, p.57; Simanaviciene, Kontautiene and Simanavicius 2017, p.149). Regarding the mutual dependence of corporations and society, the authors observed that this modern phenomenon of inclination might be explained by the following motive categories:

- increase in expectations from direct stakeholders,
- a reduction in the power and scope of government,
- globalisation
- heightened media reach,
- the greater spread of democracy, and a series of corporate scandals that have undermined confidence in the integrity of corporations, financial

institutions and markets (OECD 2018, pp.10-11; Porter and Kramer 2006, p.92; Skrzypczyńska 2013, pp.262-282; Smith 2003; Smith and Langford 2009, p.98; Waddock and Graves 1997, p.319).

To conclude, based on the comprehensive literature review of elements of competitiveness, historical and definitional development of corporate social responsibility, along with the linkage between both fields and for the purpose of this master's thesis, the authors view of the modern CSR concept is following:

CSR is a set of corporations' voluntary (Jones 1980, p.60) efforts beyond their economic and legal responsibilities (Carroll 1979, p.499; Carroll 1991, p.283; Davis 1973, p.313) that encompasses the social and environmental expectations of society at a given point in time (Carroll 1979, p.500; Carroll 2015, p.90), especially the expectations of stakeholders (Carroll 1999, pp. 273; Johnson 1971; Morrison and Bridwell 2011, p.2).

Additionally, this enlightened self-interest of business (Steiner 1971, p.164) can be used as an instrument to manage business power (Davis 1967, pp.48-63), to maximize a short-term profit, to increase its long-term competitiveness (Garriga and Melé 2004, pp.52-53) and to turn an ethical problem into economic opportunity (Drucker 1984, p.62).

Economic Dimension

In the given definition, the CSR is seen as a strategical management instrument that balances out the interest of stakeholders as well as the self-interest of the corporation. If used properly, it can lead to maintaining or strengthening of the corporation's competitive position in the market, while encountering interests of society. The desired balance regarding the CSR is found in meeting the social and environmental expectations of stakeholders (society) while improving corporation's competitive position on a given market (Garriga and Melé 2004; Simanaviciene, Kontautiene and Simanavicius 2017, p.153). Under no circumstances the CSR persuasion should not generate any damage to the company and its main economic function (Friedman 1970, p.184).

Social Dimension

Company might support its competitive positioning strategy and increase its competitiveness by engaging in supplying the social demands of its key (direct) stakeholders:

- Customers (more on relationship among customers, CSR and competitive advantage in Chapter 1.3.2),
- employees (e. g. supporting diversity – women, minorities, employee benefits, addressing family concerns, hiring disabled, progressive LGBT policies, safe working conditions, company-wide cash profit sharing, employee involvement and ownership, information transparency, employee participation in decision-making),
- suppliers (e. g. improving the business environment, clusters, widen networks, strengthen relationships),
- communities (e. g. general philanthropy, support of local education, health-care, social programs, housing initiatives for disadvantaged, job training programs) it operates in (Hillman and Keim 2001, p.135; Porter and Kramer 2006, p.92; Post, Preston and Sachs 2002, p.18; Vilanova, Lozano and Arenas 2008, p.37; Waddock and Graves 1997, p.319).

Environmental Dimension

When being a responsible company it is quite obvious what the moral obligations are in the cases of filing financial statements (transparency, fair-ness, etc.) and operating within the law as an example. However, it might not be the same ease of moral calculus when corporate wants to balance its competing values, interests, and costs with CSR activities. Porter and Kramer suggested, that companies should avoid short-term behaviour that is socially detrimental or environmentally wasteful by operating in ways that will help to secure their long-term economic performance. This statement was followed by case study of McDonald reducing its solid waste by 30% when switching to more environmentally-friendly materials (Porter and Kramer 2006, p.79).

Other CSR environmental activities could be: aiming for substantial revenues from remediation, efficient utilization of natural resources, product and service innovation yielding environmental benefits or environmental protection, reducing emissions and toxins, manufacturing with recycled items, use of fuels with environmental advantages, environmentally friendly equipment and technologies (Chodorek 2013, p.186; Porter and Kramer 2006, p.92; Waddock and Graves 1997, p.319).

The modern look on the emerging importance on environmental sustainability in business supply chain of the last decade is regularly updated in the book *“The necessary Revolution”* written by Peter Senge, Bryan Smith, Nina Kruschwitz, Joe Laur and Sara Schley. The authors conducted a comprehensive critical evolution of modern business practises. Their observations put a bright light on the Industrial Age, which brought a lot of revolutionary improvements for our society, as well as a disturbing side effect of accumulating carbon dioxide and other greenhouse gases, causing the climate change. For many experts, global climate change is the most serious looming planetary catastrophe. *“As fossil fuels deposit excess carbon dioxide in the atmosphere, the gas causes widespread, continuous heating and damage. Change is possible, but not easy. People must “see the larger systems” of which all organizations and entities are a part. Then they must develop policies and approaches to ensure the health of these larger systems. Quick-fix solutions and short-term answers will not suffice. People must “collaborate across boundaries” in today’s fully linked world. All nations and organizations face sustainability issues.”* Some of the experts estimated that humanity must enforce a 60% to 80% emissions reduction within the next two decades to actually enforce any immediate changes (Senge et al. 2011).

Controversy of Philanthropy

In 2010, Carroll and Shabana created a structure of business functions from the CSR point of view. This was based on his understanding, that the CSR’s economic and legal responsibilities are requirements and companies do need to engage in them. Further, engagement in the social and environmental responsibilities as required, however the philanthropic responsibilities are desired (Carroll and Shabana 2010, p.89). Opponents of including philanthropy into the CSR strategy argued that it could lead to undermining of the license-to-operate of companies in the long run as it goes beyond the core of their business (Lin-Hi 2010, pp.86-90). Friedman (1970, pp.126) even stated that philanthropy

is misleading as a CSR activity. However, Lin-Ho also acknowledged that no matter how conceptualised, the philanthropy is attractive CSR dimension in modern business and many companies declare it as a responsibility (Lin-Hi 2010, pp.86-90). Following on this academic debate, the philanthropy dimension will be added to the analytical part of this master's thesis, even though it is not considered to be a sound CSR activity by some authors.

Regarding the investigation of interactive factors increasing the long-term competitiveness of the corporation from the micro-perspective in the Chapter 1.1 and the given definition of CSR consisting of social and environmental spheres, the interpretation of the role of engaging in CSR activities as a factor of competitiveness (with the ability of increasing it) is visualised in the Figure 2.

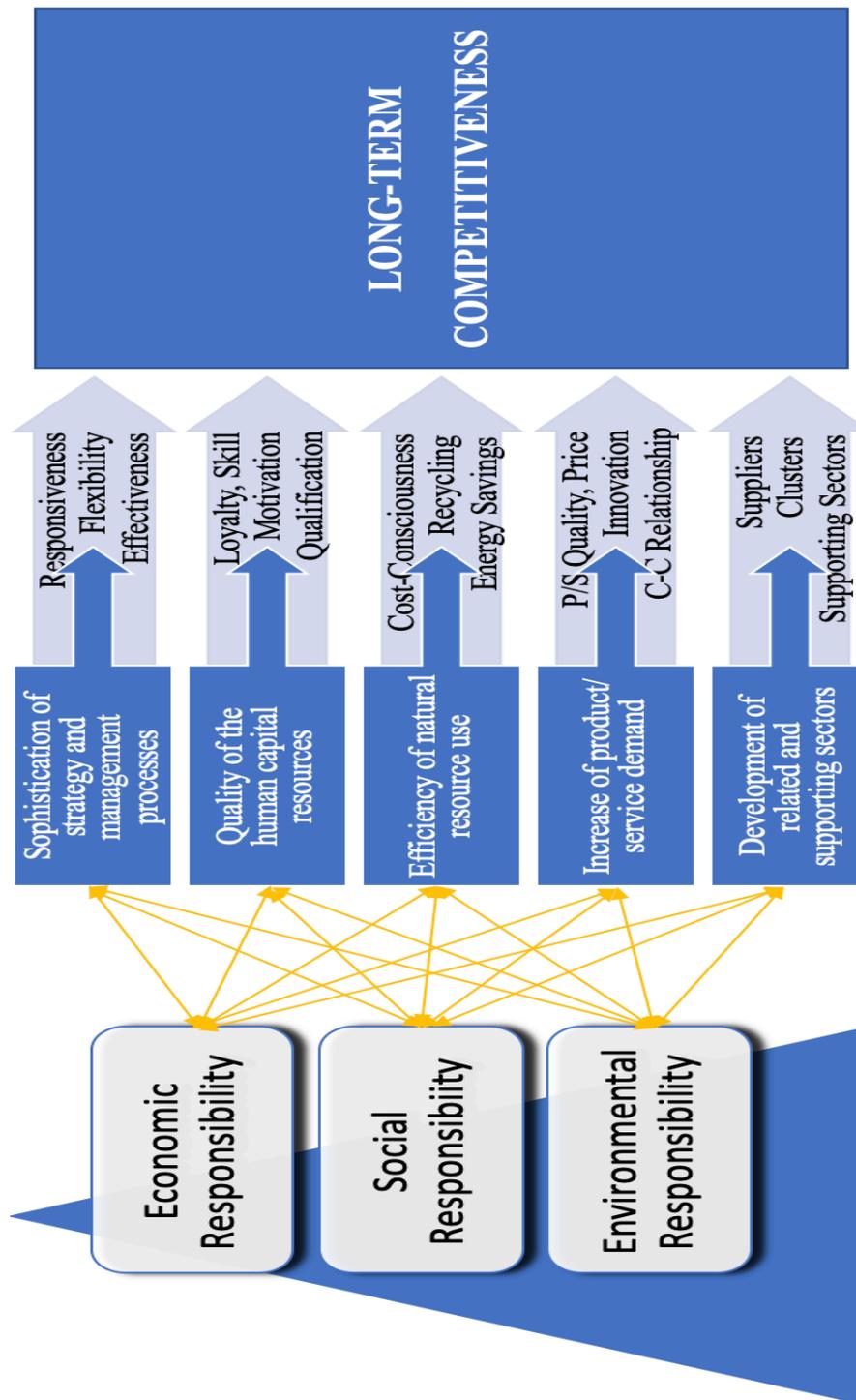


Figure 2: The interaction of CSR elements and factors of competitiveness at a micro-level (Simanaviciene, Kontautiene and Simanavicius 2017, p.156; edited by Author).

1.3.1 Outcomes of Corporation's Engagement in CSR

“Any business that pursues its ends at the expense of the society in which it operates will find its success to be illusory and ultimately temporary” (Porter and Kramer 2006, p.92).

Besides of offering a number of various activities businesses can engage in and guidelines of what activities should be preferred (Porter and Kramer 2002, pp.59-61), the literature (Cegliński and Wiśniewska 2017; Chodorek 2013; Garriga and Melé 2004; Glińska-Neweś and Stankiewicz 2013; Hillman and Keim 2001; Porter and Kramer 2006; Post, Preston and Sachs 2002; Vilanova, Lozano and Arenas 2008; Saeed and Arshad 2012; Skrzypczyńska 2013; Waddock and Graves 1997) offers a range of outcomes the corporations could expect if the CSR initiatives are rightly incorporated into the business strategy. Some of the possible outcomes yielding in increase of competitiveness are increase of market share, higher revenue, reduced costs, productive workforce, maximized production, extended enterprise net-work which may be achieved by the improved company confidence, reputation, developed attractive and productive working environment or product differentiation.

Boost of firm's confidence and improvement of the reputation (positive image) on the market, forging of employees' and customers' loyalty/trust (Cegliński and Wiśniewska 2017, p.13; Glińska-Neweś and Stankiewicz 2013, p.26; Morsing, Schultz and Nielsen 2008, p.99; Rizkallah 2012, pp.338-342; Saeed and Arshad 2012, pp.231-232; Skrzypczyńska 2013, p.281).

The emergence of positive culture, positive climate, which attracts talented workforce, stimulates positive emotions. These attributes have been found to play a crucial role for the pro-developmental employee behaviours and talent management (Chodorek 2013, p.186; Glińska-Neweś and Stankiewicz 2013, p.26; Saeed and Arshad 2012, p.231-232).

As not all companies decide to engage in the same CSR area and have the same goals, it is an opportunity for creating a better competitive position by product differentiation based on customers that demands high social sensibility (Saeed and Arshad 2012, pp.230-232; Skrzypczyńska 2013, p.283; Hillman and Keim 2001, p.135;

Waddock and Graves 1997, pp.316-319). According to Cegliński and Wiśniewska, activities in this particular area were highly undertaken (2017, p.14).

1.3.2 CSR, Customers and Communication

Customers always were one of the key drivers of acknowledgement in explorations and development of businesses' social and environmental obligations. Some authors pointed out, that the expansion of paid attention to CSR activities was not always voluntary. Porter and Kramer gave few examples of situation when corporations started getting involved into CSR after the impetus from the stakeholder side. In Nike's case, the New York Times's and other media's public reports about abusive labour practices at some of its Indonesian suppliers provoked customers in proceeding to massive boycott in 1990s. Similarly, Shell Oil company decided to sink their obsolete oil rig the Brent Spar after the Greenpeace protests in 1995 (Porter and Kramer 2006, p.77).

In contrary to other competitive positioning strategies, instrumental CSR strategy "*humanizes a company*". The company can easily become attractive, respected or even admired in the eyes of the customer who can identify with the core values of the business (Bhattacharya and Sen 2003; Du, Bhattacharya and Sen 2007, p.225). Numerous studies examined and confirmed the positive correlation between consumer-company identification and benefits for companies which often go beyond increased sales and other transactional benefits. Incorporating CSR strategy based on core values that can be shared with the high-sensibility customers might be directly or indirectly followed by longer-term relational benefits such as loyalty and advocacy. Interestingly enough, findings of Lichtenstein, Drumwright and Braig (2004) did not confirmed the hypothetical implication of consumer-company identification and consumer's transactional reactions to CSR (e.g. donations to responsible organisation). However, this fits into the perception of CSR as an instrument for an increase in long-term relational reactions to the company rather than "*just*" product purchase (Bhattacharya and Sen 2003; Du, Bhattacharya and Sen 2007, p.227).

By the same token, customers' resilience to negative information about the company or positive insights sharing by word-of-mouth is confirmed as the main outcome of engaging in CSR (Bhattacharya, Korschun and Sen 2008; Du, Bhattacharya and Sen

2007; Klein and Dawar 2004; Sen 2006). Rizkallah (2012) evaluated companies evidencing responsible practices within the comparative analysis and found out that companies with greater CSR efforts and behaviours received not only a positive word-of-mouth among consumers, but even a stronger market position, hence competitive advantage (pp.338-342).

Recent study found out that emotional connection is a key component of working communication strategy and might be even more important than a satisfaction of a customer. In the study, 22% of fully connected customers represented 37% of the total revenue as they spend twice as much annually as customers categorised as highly satisfied. Therefore, enhancing emotional connection could be a viable growth strategy if the retailer could attract fully connected customers from competitors, transform satisfied customers into fully connected ones, or both (Magids, Zorfas and Leemon 2015).

The aspect of emotional connection with the customer drives a company towards opportunities existing across the customer experience, and not only through the traditional brand positioning and advertising. The observations of Magids, Zorfas and Leemon supported the idea of a promising link between emotional connection and social-network affiliated communication (especially Facebook, Twitter and Pinterest). The authors studied condiments brand and compared the social media customers with all the customers together to conclude there was a 39% difference between the amount of emotionally connected customers. Based on the recommendation, the companies put an emphasis on its social media network and development of their online customer community and recorder an accelerated growth in just few months (Magids, Zorfas and Leemon 2015).

Porter and Kramer confirmed other beneficial aspects of considering consumers' expectations when managing the CSR. According to the observations, engaging in social programs and health care increases the well-being of society around company (customers included). This might be important for the business as a healthy society creates expanding demand for business. The improvement in the safety of working conditions, reducing the toxins or manufacturing with recycled items generates "*safe products*", which are generally customers attracted to (Porter and Kramer 2006, p.92).

In 2011, Morrison and Bridwell proposed a perspective of "*Consumer Social Responsibility*" (p.149). According to their study, consumer realities are in direct conflict

with CSR “*as preached by academe*”. The sample of consumers pursued convenience and individual self-interest over ethical aspects connected to the product. Authors argued, that the source of attention towards CSR had been previously found in social change and legislation reforms and as long as consumers are not willing to pay higher price for products created in in ethical business environment, the only economical reason for a corporation to invest in CSR is the positive public relations. “*The customer is the most powerful determinant of corporate behaviour, and this is why the CSR focus should be on the consumer.*” (Morrison and Bridwell 2011, p.149).

1.4 Evaluation of CSR Strategy

Therefore, the processes of creating, evaluating and managing the CSR strategy must always aim to conclude that it is financially adequate or beneficial, appropriately targeted, well communicated (internally and externally) and it reflects current social norms and expectation from corporation’s environment (Carroll 1999; Luo and Bhattacharya 2006; Morsing, Schultz and Nielsen 2008; Porter and Kramer 2006; Skrzypczyńska 2013; Smith and Langford 2009).

Friedman’s emphasis on economic function of the business (1970) was not completely abandon in the conceptual and definition development. The CED aligned the responsibilities towards business’s main economic function into prior (inner) circle, before followed sensitivity of the environment and society to those economic activities or responsibilities in improving the social environment (The Committee of Economic Development of The Board 1971, p.15). It seems, this makes a common sense as financially struggling corporations would not probably make of a great philanthropist (Souto 2009). Steiner (1971, p.164) incorporated into his definition the notion of the positive correlation between the size of the company and social responsibility, which was the first sign of adding “*how much*” issue the businessmen face when managing the CSR strategy.

It is important to understand the strategical business homeostasis before implementing or evaluating CSR strategy of a given company. In 2009, Smith and Langford reviewed the research and concluded that CSR initiatives and its communication are important in customer-company relationship development, however,

it might not be as straight forward as it seemed. The authors raised a question for a further research, how much CSR the customers really want and whether such strategies are truly the best way how to influence customers (2009, p.107). They recommended that corporations must understand their general performance before engaging in CSR. *“A proper mix of CSR and internal corporate abilities is needed in order to achieve maximum benefit for a firm”* (Luo and Bhattacharya 2006; Smith and Langford 2009, p.107). Eventually, corporations may proceed to establishing the budget for initiatives supporting the ones in need (Skrzypczyńska 2013, pp.256-257).

Regarding the CSR communication *“inside-out approach”*, the overall process of publicizing the CSR initiatives (meaning from top management via employees to the rest of the stakeholders) highlights the role of the employees as a key component (Morsing, Schultz and Nielsen 2008, p.97). Therefore, employee education and intra-organisational communication procedures are crucial for working CSR strategy. Ensuring transparency, acknowledgement and acceptance of, and involvement in the CSR activities through implementing the codes of conduct defining the norms of behaviours and incorporating CSR assumptions into the corporate internal policies is a foundation of effective internal communication of CSR (Morsing, Schultz and Nielsen 2008, p.97; Skrzypczyńska 2013, pp.256-257). As well as with other stakeholders, the company can benefit from involving their employees into the CSR decision-making (Hund et al., 2002, pp.219-220).

Skrzypczyńska recommended in her methodology of implementing CSR strategy that corporation should strive to become an active member in the communities of socially responsible organisations and participate in CSR rankings. This way not only corporation externally communicates the *“image of a friendly organisation”* but also sets out it is open for a dialogue with its stakeholders (Skrzypczyńska 2013, pp.256-257). On one side, company communicates about its CSR efforts to the customer in order to spread the information and on the other, it opens up the channel for customers' involvement in decision making which can result in short-term as well as long-term benefits for the company (Hund et al., 2002, pp.217-218; Skrzypczyńska 2013, pp.256-257; Verhoef, Reinartz and Krafft, 2010, p.248). The offered collaborative approaches towards customers might include stakeholder dialogue, stakeholder interviews performed by third parties, open discussion roundtables, partnerships with educational institutions and

community support projects (Hund et al., 2002, pp.219-220; Skrzypczyńska 2013, pp.256-257).

When choosing a concrete area of CSR involvement, the company should remember domain of its action. Most importantly, the CSR strategy should be at least in correlation with the areas in which the company possibly has some negative social or environmental influence (Skrzypczyńska 2013, pp.256-257). In the study in 2009, the two of the critical issue for CSR management of award-winning Thai companies were the selection of appropriate CSR activity and participation by people in communities affected by the CSR activity (Virakul, Koonmee and McLean 2009, pp.185-195). Generally, targeted areas of CSR activities are following areas: workplace, market, natural environment and social environment (Skrzypczyńska 2013, pp.256-257).

When identifying “*the points of intersections*” between the business and society or environment, the managers could look at the value chain as virtually every activity in it touches on the communities in which the business operates. That they must evaluate if they create and to what extent either positive or negative consequences (Porter and Kramer 2006, p.80). Authors summarised this approach in a structured value chain and specific activity impact (see Appendix 2).

Ethical (social and environmental) responsibilities involve in time as they are driven by social norms and businessman need to be aware of this phenomenon. The specific activities are guided by corporation’s desire to engage in social roles. But these activities are not mandated or required by law and not expected of businesses in an ethical sense. However, they are currently becoming increasingly strategic (Carroll 1999, p.283).

In 1979, the ethical responsibilities beyond the discussed obligations included “*philanthropic contributions, conducting in-house programs for drug abusers, training the hard-core unemployed, or providing day-care centres for working mothers*” (Carroll 1979, p.500). In 2006 for example, the top general groups of CSR activities in Italian companies were: training activities, safeguarding employee health, local community development, support of cultural activities, product safety, controlling environmental impacts of products, support of sports activities, employee services, environmental protection activities, customer satisfaction (Perrini, Pogutz and Tencati 2006). Concerning the geographical and cultural factors, there is great evidence of differences in

recorded CSR activities nationally wise (Ahmad 2006; Ip 2008; Perrini, Pogutz and Tencati 2006; Virakul, Koonmee and McLean 2009).

1.5 Current CSR and Future Outlook

Modern trends and social norms are progressively changing, which generally impels evolution of shareholders' expectations from the business. Stakeholders are more or less controlling corporations, formally mostly clients and public authorities. According to Porter and Kramer, modern companies are not competing on the market in any isolation from communities that surround them. Their inner competitive abilities depend on prevailing conditions of their value chain procedures (Cegliński and Wiśniewska 2017, p.13; Porter and Kramer 2006).

Following up on the aspect of never-ending emergence and development of public expectation, authors Post, Preston and Sachs continued with pointing out the "*humanistic commitment*" is the core of successful CSR, in the perspective of the involvement of stakeholders into company's decision-making. Corporations must be humanly committed to the integrity of the individual. Such an approach involves a respect for individuals, groups, other organizations, and the general public. Furthermore, The CSR management must engage in "*learning*", because stakeholder characteristics and interests change over time. "*Stable and supportive stakeholder relationships are built up over time on the basis of experience. Trust grows from trustworthy behaviour, not from rhetoric*". Thus, the corporation generates long-term competitive (Post, Preston and Sachs 2002, p.25).

So far, the CSR has been continuously attracting a growing attention, possibly thanks to Carroll's three driving forces: business acceptance, global growth, and academic proliferation. Even though, there has been experimental derivative approaches to CSR, the general pattern remains affirmative and accepting. In 2013, KPMG reported that 93 percent of the top 250 corporations on Fortune Magazine's Global index issued some type of CSR report (which is 80 % up from 2008).

The motives of engaging in CSR activities of successful responsible corporations mostly have been improving relationships between the company and society, obtaining competitive advantage, developing reputational capital, reducing costs or "*simply mimicking other successful firms*". There is a range of CSR-friendly business strategies

which makes the whole subject sustainable for all parties. Overall, the is expected to grow within its transactional path but the era of transforming CSR is not ending yet. Developing countries are especially expected to experience an enthusiastic development of CSR approaches as the national economic progress will provide additional opportunities (Carroll 2015, pp.94-95; Matten and Moon 2008, pp.416-419).

However, the expansion of CSR theory in business must start in the educational system. In 2009, Keifer and Keifer examined the school system and its ability to keep the pace with changes happening in the world. The management education in business ethics was evaluated as not effective when it comes to modifying the basic instructional models to reflect modern trade-off between what is rights and what is profitable. Authors argued that this relationship should be embedded in PEST and SWOT analysis or Porter's Five Forces, which could offer "*a broader look at the social and environmental footprint of the firm and the long-term sustainability of a firm's activities.*" (Keifer and Keifer 2009, pp.141, 147).

Similarly to the CSR view on using common strategic management models mention above, Porter and Kramer offered a modified approach in using value chain analysis. Within the addition of social impact perspective, the framework now can ease managers work when evaluating the corporation's impact on the social and environmental surroundings. The Figure 3 in Appendix 2 illustrates "*intersections*" that if thoroughly investigated, prioritized, and addressed could help to reduce or eliminate many "*negative value-chain social impacts*". Hence the managers will be rewarded, according to Porter and Kramer, with social and strategic distinction (Porter and Kramer 2006, p.83). The observations from 2015 yielded into findings that the most sophisticated firms are making emotional connection part of a broad strategy that involves every function in the value chain, from product development and marketing to sales and service (Magids, Zorfas and Leemon 2015).

But more and more authors nowadays try to spread the awareness of the financial benefits of "*going green*". Senge et al. (2008) surveyed 17,000 people in 15 global markets. Over 50% of the respondents like to buy products from companies that protect the environment. This only correlates with the recorded increase in British "*ethical consumerism*". Further, 45% of the US population were classified as individuals who let the companies' environmental and social policies effect their purchase decisions.

Therefore, there are many reasons to incorporate ethical behaviour into business decision making supported by real MNEs practises, including:

- reduced cost (IMB, Alco or Wal-Mart recorded massive savings by reducing energy use),
- earned profit (instead of paying fee for getting rid of the waste, the General Mills incorporated initiative to recycle 86% of their own solid waste, which earned them even more than they would spend on the disposal),
- increased competitiveness (IBM's Project Big Green was established to reduce its computers' energy consumption. It also has a potential to stop the phenomenon of growing price of cooling off servers, which are becoming almost more expensive than the hardware. Through this initiative, IBM hopes to save its customers a substantial amount of money and increase its market share. Enterprise Rent-a-Car is adding thousands of "*flexifuel*" cars and hybrids to its fleet. About 50% of its cars, get better than 28 miles to the gallon),
- impact on the market regulations (BMW, Sony Europe, BP and Shell have used their CSR approaches to positively shape future regulations in their industries),
- creating a sustainable supply chain (becoming an ethical supplier is becoming a competitive advantage as, for example, Costco nowadays insist that all the suppliers in their value chain meet the same rigorous social and environmental standards),
- forging brand reputation (CSR efforts are beneficial for public relations - Wal-Mart is counteracting negative publicity about its treatment of employees and its effect on small businesses by promoting their other social and environmental policies) (Sageza 2007; Senge et al. 2011).

In 2010, ISO 26000 – the international guidance on CSR launched. According to Sethi, Rovenpor and Demir (2017) it was ISO's (International Organisation for Standardisation) most controversial set of standards yet. With this, the ISO aimed to provide general guidance for corporations of all sizes and across all industries, including organizations operating in the not-for profit sector, on social responsibility (ISO 2019;

Sethi, Rovenpor and Demir 2017). The guidance was developed using a multi-stakeholder approach involving experts from more than 90 countries and 40 international or broadly-based regional organizations, while covering six stakeholder group with their expertise: consumers, government, industry, labour, NGOs and service, support, research, academics and others (ISO 2019).

Within the European market, the legislation remains as a major driver of corporate sustainability. Besides the social expectations from corporate's surroundings, governments have become increasingly active in promoting and shaping CSR - Western European governments in particular (Steurer, Margula and Martinuzzi 2012, p.206). Regarding the CSR in Member States of EU, the CSR policy development processes are to some extent controlled by the European Commission (Cristache et al. 2017, p. 86).

1.6 CSR and Ethical Issues in Cosmetics Industry

“The appropriate unit of analysis in setting international strategy is the industry, because the industry is the arena in which competitive advantage is won or lost” (Porter 1986, p.11).

Previously, the possible outcomes of CSR have been discussed. However, practise shows that the business effects of CSR can be uncertain and differ for the companies in different internal and external contexts (Kurucz, Colbert and Wheeler 2008, p.89). Moreover, any hypothesis of linking ethical corporation with profit generation needs to be put into context. In some businesses and sectors CSR may have more effect than in others (Vogel 2006). Therefore, this chapter looks more on the literature dealing with the possible CSR advantages in the cosmetic industry.

The global cosmetics market reached the size of €471,182 billion in 2017 (Zion Market Research 2018). The European segment was valued at €77.6 billion, which makes Europe the largest market for cosmetic products in the world (Cosmetics Europe 2018). The industry is forecasted to CAGR in 4.4-7.4% for the next half decade (Rajput 2016; Zion Market Research 2018). European niche market with natural cosmetics experienced a growth as the consumer product ingredient awareness strengthens. Reaching for any kind of “*natural*” certification and expanding the marketing channels has been claimed to be forces of such a development (Cosmetic Business 2019). The problem of this kind

of a discussion is in the lack of legislative regulation of e.g. “*natural, organic*” terminology on the European cosmetics market. Moreover, the interpretation of “*natural*” varies between member states due to the existence of different rules. There are many definitions of the terms out there but mostly coming from the private sector incentives (International Law Office 2019). However, history lessons show that company sales success might be determined by placing certified natural cosmetics in large-scale retail (Cosmetic Business 2019).

As the cosmetics industry and CSR element within have grown, various number of ethical issues have appeared. In more recent years, the beauty industry has been criticized for practices surrounding false claims and misleading advertisements, the unethical sourcing of ingredients, child labour, the use of harmful ingredients, animal testing, and excessive packaging (Bruculieri 2018; Kangas 2017).

The situation gets even more complicated when you take into consideration the laws surrounding animal testing in other countries. While the European Union has banned the sale of any products tested on animals in finished form, the Chinese government actually requires the use of animal testing before sale in the country. Many well-known brands, including Estee Lauder and Clinique, admit they will let their products be tested on animals if required by law in the country of sale (Kangas 2017). In order to be considered cruelty free, a company must abstain from animal testing at all points of production and sale (Bruculieri 2018; Kangas 2017).

The study in 2015 on deceptive information about cosmetics products resulted in the disturbing conclusion that the cosmetics claims were more often classified as misleading than were deemed as acceptable (Fowler, Reisenwitz and Carlson 2015). This was caused by the lack of use regulations (REACH in EU and FDA in US) and problematics of involvement of third parties (or countries in case of China) (Bruculieri 2018). For the purposes of checking the reliability of cruelty-free labelling, organisation Leaping Bunny verifies cosmetics brands and provides them with a certification. Similar intentions are behind the organisation PETA (Bruculieri 2018) and HCS certification (Svoboda Zvirat 2019). The ISO guidance mentioned in the previous chapter serves here only as a set of recommendations, rather than requirements (ISO 2019).

The importance of communication of CSR was already discussed in the previous chapters and there is no omission within the cosmetics industry. According to Nielson’s

findings (2012), cosmetics consumers react sensitively to “*greenwashing*” (meaning that companies just claim to engage in CSR, rather than actually implementing any aspect of it into its strategy) and false information (Investopedia 2019a). Despite of what, it is also crucial how it is being communicated. Nielson followed with concluding that more than 3/4 of the socially conscious consumers relies on opinions posted online by others, which give the online communication a critical role. The study by Ecovia reported that cosmetic companies lack CSR communication and that the cosmetic customers are not aware of the CSR activities of specific companies. Ecovia continued with highlighting the urgency for natural and organic companies promptly improve their communicating, as it results in confusion among customers about which companies support sustainable values. Eventually, such a blur will reduce the chances of benefiting of engaging in CSR (Ecovia 2019).

2 Analytical part

In the following segment of the paper, the concrete CSR strategy of the multinational corporation will be critically evaluated, based on the identified research theory and structured research methodology. Finally, the findings of all the individual parts of analysis will be discussed.

2.1 Research Theory

Based on the literature review, a theory has been created that CSR strategy, if efficiently incorporated into strategical management, may result in increased competitiveness or even competitive advantage. However, the results may differ, from company to company and also from industry to industry. Therefore, the specified theory behind this research is that a concrete cosmetic brand, if strategically engaging CSR efforts, may end up with improving its competitiveness. Lush Cosmetics Limited – international fresh homemade cosmetic retailer that emphasises the ethical aspect of modern business has been chosen as a subject of the analysis.

The theory that has been set above, covers a various area of CSR and competitive strategies. The sub-aspects of this research will include the three dimensions of CSR identified in the theory and literature review – economic, social and environmental responsibility of the corporation. Additionally, the controversial philanthropy will be incorporated. The main CSR activities identified will be critically evaluated and also the communication approach the company applies. Further, the findings will be put in the context of competitive positioning of the chosen company and evaluated from the consumer perspective.

2.2 Methodology

In the Chapter 1.5 we discussed the authors (Porter and Kramer 2006; Keifer and Keifer 2009) opinion on modifying SWOT, Value Chain analysis and other strategic management tools in order to identify and critically evaluate CSR strategy of corporation. In the Chapter 1.3 we evaluated the wide evidence supporting the use of CSR strategy as

a strategic management instrument to obtain a competitive advantage or increase its competitiveness (Carroll and Shabana 2010; Ceglińska and Cegliński 2014; Garriga and Melé 2004; Kurucz, Colbert and Wheeler 2008; Morsing and Schultz 2006; Porter and Kramer 2002, Porter and Kramer 2006; Post, Preston and Sachs 2002; Simanaviciene, Kontautiene and Simanavicius 2017). Most significant evidence was found on the connection of CSR activities and customer brand loyalty (Bhattacharya and Sen 2003; Du, Bhattacharya and Sen 2007). Smith and Langford (2009) expressed the un-answered question of actually how much of an CSR the customers want and how it should be communicated.

Considering all the theoretical findings above, Author will conduct a research with following methodology, with the aim to critically evaluate the CSR practises of Lush and possibly find any intersections with company's competitive positioning.

Primary focus area	Secondary focus area	Procedure	Methods of research
CSR	Economic responsibility	1.	Performance analysis; critical evaluations of transparency, anti-corruption and anti-bribery policy and overall stakeholder management
	Social and environmental responsibilities	2.	Content analysis and Value chain activities' social impacts hybrid analysis
	Economic, social and environmental responsibilities	3.	Analysis of CSR communication
Micro-level competitiveness	Identification of strengths, weaknesses, threats and opportunities	4.	SWOT analysis and SWOT matrix
	Consumers' perception of the company, CSR activity and communication	5.	Online survey

Table 1: The research methodology scheme (by Author).

- 1) Within the literature review, it was observed that corporation may benefit from engaging in CSR activities, only if its economic responsibility is addressed in the first place (Chapters 1.4-1.5). A general performance analysis will be used as a tool to evaluate whether or not Lush finds itself in the financially healthy state, has enough resources to cover CSR expenditures and is not generating any damage to the company that could be caused by engaging in pro-social and pro-environmental activities of CSR. Additionally, Author will evaluate the shareholder management of the company, more specifically the dividend policy, funding initiatives, transparency of the business and Anti-Corruption and Anti-Bribery Policy.
- 2) For the purpose of meeting the main aim of this master's thesis, Lush's CSR activities must be identified and critically evaluated. With the aim of finding the intersections of the affected areas of the business procedures and the company's selection of CSR activities, the Social-Impact-Value-Chain framework (which was introduced in the Chapter 1.4 and Appendix 2) will be merged with the content analysis approach (Porter and Kramer 2006).
- 3) The content analysis of (websites, online interviews, Facebook pages, annual reports) will serve to the evaluation of way and scope in which Lush communicates the CSR to its stakeholders.
- 4) Conducting SWOT analysis and creating the SWOT matrix will help Author to put the findings of previous steps into the context of Lush micro-level competitive abilities.
- 5) The online survey will be designed and conducted so it provides insights into customers perspective on Lush's CSR strategy, hence add the final input into the critical evaluation of Lush's CSR activity as a factor increasing the company's competitiveness.

2.2.1 Research Design and Data Collection

The research will be applying a qualitative research approach which attempts to make sense of phenomena and is mainly about analysing texts (Flick 2014, pp.25-64). Within the qualitative approach, the hypotheses are not pre-determined. Nevertheless, the theory that will be explored is going to be identified (Alzheimer Europe 2009). Among

other qualitative approach methods, the content analysis will be incorporated as it makes possible to give meaning to certain text data (Hsieh and Shannon 2005). This will allow reducing of provided qualitative data as well as “*sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings* (Patton 2002, p.453). Following qualitative approach, collecting data that is non-numeric will be allowed which will help to explore how decisions are made and will provide detailed insight. The collected data must be holistic, rich and nuanced. And the findings can yield only through a careful analysis (QuestionPro 2019).

In this research, an inductive approach will also be used as a theory has been developed. Then, the research will look for a pattern of meaning on the basis of the data collected (Alzheimer Europe 2009). Also, no predetermined categories will be identified. This approach was chosen to make it possible for new insights to emerge (Kondracki and Wellman 2002).

In the contrast with a qualitative approach, a quantitative method regarding online survey makes it possible to include a larger amount of people, which can provide for more generalizable results. Therefore, this approach of measuring terms, studying phenomenon that are statistically observable and measurable will be use as well. Regarding the objectivity of the research, it is important to raise awareness that CSR is a quite delicate concept and there is great possibility for bias. The bias is bigger when a qualitative method like interviews is used, as it would mean face-to-face contact with each participant. A quantitative survey, however, is more anonymous, hence the attitude of participants can be measured more accurate. Also, there is a lower possibility of interviewers effecting the responses (Flick 2014, pp.25-64; QuestionPro 2019).

Online Survey Design

As an online survey platform, the SoGoSurvey.com has been chosen. This survey vendor allows complex data collection, multiple sharing options, great amount of control over the analytics and reporting of the survey. Also, the software provides a number of tools regarding the survey design. The SoGo software is compatible with all the possible respondent interfaces including computers, tablets and smart phones (SoGo Survey 2019). The software also proved a great variety of question options. Two text box options will be used to allow the respondent to provide an open-ended response. This question

type suited well for investigating consumer's favourite brand as it is not possible to anticipate every answer.

Within 5 Radio button questions the participants will view all answers at once and may choose (for example income category he or she fits in). In contrast, the 4 designed drop-down options will work similarly to the previous one, except the answers are not full-time displayed to clean up the user interface. The check box questions will be used in 2 cases, where it is crucial to allow participants to select more than one answer option, and "*None of the above*" may be used to deselect all other choices. The participants will be asked to identify purchase behaviour factors in order of importance via the designed ranking question. 3 rating scales will be suitable question design to let the participant to choose a certain value along a continuum, such as level of agreement (from strongly agree to strongly disagree). Also, multiple aspect evaluation question will be incorporated into rating scale grids.

Demographic questions will be included, regarding creating an average respondent persona based on gender, age, education, nationality etc. These questions are the basis for the analysis in this study and serve as the dependent variables (SoGoSurvey 2019a). This series of questions will aim to gauge respondents' knowledge, interest, and perception of unethical/ethical practises generally and regarding the cosmetics industry. The results in percentages will be rounded to zero decimals.

2.3 Lush in the Context of CSR Practises and Competitiveness

The Lush Cosmetics Ltd was founded in 1994 by Mark Constantine and several other partners who still own and operate the company (Loeb 2017). The Lush is a manufacturer of fresh handmade beauty care, personal care, and cosmetics products. The company was established in England and had managed to open 932 stores and 7 manufacturing facilities around the world up to June 2017. "*The Lush Group*" stands for the parent company Lush Limited with all its subsidiaries and affiliates (Lush Cosmetics Ltd 2017; Lush Fresh Handmade Cosmetics UK 2019t).

For the financial year ending at 30th June 2017 the company registered a profit after taxation of €43,625,000. The Lush has been successfully expanding into 49 countries in over decade up to 2017 (Lush Cosmetics Ltd 2017 - see Appendix 3). The

Lush Cosmetics Ltd consist of 37 subsidiaries (10 of them are 100% owned by parent company), 3 joint ventures (American continent only) and 13 associate undertakings. Regarding the Lush's CSR (or business ethics) strategy, the company publicized following disclaimer on UK website:

“Here at Lush we have never liked to call ourselves an Ethical Company. We find the term rather a difficult concept, because it seems to us that it is used to describe companies who try not to damage people or planet with their trade practices – when surely this should not be regarded as ‘ethical’ but as normal business-as-usual.”

“All business should be ethical, and all trade should be fair. Individual companies should not stand out simply by not being damaging or unfair. No company should be trading from an unethical position and society has a right to expect as the norm fairness and resource stewardship from the companies that supply them.”

“We always wish to conduct our business so that all people who have contact with us, from our ingredient suppliers through to our staff and customers, benefit from their contact with Lush and have their lives enriched by it. No company is perfect, and we strive daily to get closer to the ideal vision that all Lush people share. We will always want and demand more from Lush, so that our business practices match our own expectations, our staff and customer expectations and the needs of the planet” (Lush Fresh Handmade Cosmetics UK 2019b).

2.3.1 Economic Responsibility Analysis

It is assumed that an organization serves as an instrument for wealth-creation, and that this economic purpose is its only responsibility. This implies that social activities are only accepted if they have economic benefits (Garriga and Melé 2004). In the performance analysis the author will critically evaluate current financial health of Lush and look for any indicators of increased shareholder value, greater transactional benefits or other connections to the CSR subject. Literature includes elements of transparency, stakeholder relationship management and anti-corruption into the economic responsibility of the corporation, hence they will be a part of this analysis as well.

1. Performance Analysis

i. LFL Sales Growth Indicator

In order to evaluate company's performance on the global market, the author will proceed to identify Like-for-like (LFL) sales growth indicator (Investopedia 2019). The author will focus on the analysis of financial data of the Lush Group, which includes parent company and all subsidiaries, joint ventures, associates, licenses and franchises (Lush Cosmetics Ltd 2017).

Considering all the shops and digital outlets linked to the brand, the LFL growth indicator of 14% reflects good condition for expanding company. This was possibly powered by successful relocating strategy of larger stores. Number of 26 stores was relocated in 2017 (Lush Cosmetics Ltd 2017, p.1). However, the LFL growth of the global sales slowed down in 1.8% in the first six month of 2018 which was caused majorly by a decline of 4.6% in the North America (Lush Cosmetics Ltd 2017).

ii. The Group Operating Profit

The operating profit for the Lush Limited and all the subsidiaries together ended up at €25,480,000. Within the financial year ending at 30th June of 2017, the company managed to reduce its major losses on the Japan market. In 2017, Lush recorded these losses to be at €11,560,000 which is almost 60% improvement to the previous financial year. Along with the profit improvement on the UK market (improving by additional €5,280,000 in 2017) and acknowledged losses in Germany due to the opening of the new manufacturing facility, the Lush Group's operating profit of 2017 improved by 45.3% in comparison to the year 2016 (Lush Cosmetics Ltd 2016; Lush Cosmetics Ltd 2017).

iii. Funds

Lush directs 2% of its buying spend into sustainable start-up ventures around the world via its "*Slush Fund*" which only stands for the Sustainable Lush Fund with the intention to help the small growers and farmers to "*get off the ground*" and reach the scale where they can become self-sustainable (Smart Company 2016).

"*FunDing*" in Japan funds grassroots community initiatives and charities that are helping children in the affected areas of tsunami and nuclear disaster in 2011. For example, FunD supports projects and NGOs as the Inadani Family Refresh Project (four day event for parents and children living in the area affected by Fukushima nuclear disaster from 2011), Earth Walkers (providing visits to the Fukushima children of Germany to share experiences, learn about renewable energy and appeal for a nuclear-free society) and many more (Lush Fresh Handmade Cosmetics UK 2019w).

An overview of Lush Group's (global point of view) and Lush Ltd.'s (parent company) main philanthropy is displayed:

Cover by:	Philanthropy/ Charity initiative	Created in:	Amount donated/ raised in 2017 (€)	Targeted issue
Lush Group	Charity Pot	2007	11,044,170	Raising money from selling the "charity pot" and lotion products for charities and other good causes.
Lush Ltd	Annual Awards	2012	Around 224,000 annually	Each year Lush gives away £20,000 to the groups that are making a vital contribution to social change.
Lush Group	FunD	2011	231,090	Raising money from selling "Fun soap" to grant project providing fun and recreational activities for children living in challenging environments.
Lush Group	Lush Prize	2012	Around 280,450 annually	Giving away £250,000 annually via the biggest prize in the non-animal testing sector.
Lush Group	Slush Fund	2015	1,643,440	Donating small farmers and producers.
Lush Group	Carbon Tax Fund	2018	356,730	Tax for staff's international flights, donated to the environmental groups.
Lush Group	Other charitable donations	2017	1,195,840	Limited products as "Error 404" and "Buy One, Set One for Free" for specific causes.
Sum:			14,975,720	

Table 2: Overview of Lush's charitable donation from 2017 (Lush Cosmetics Ltd 2017; Lush Fresh Handmade Cosmetics UK 2019x; edited by Author).

iv. Dividends

In the financial year ended on 30th June 2017, Lush recorded a profit amounting to €48,869,409. Lush's shareholders received the final dividend of €184.01 per share, therefore the total of €1,680,324 was paid on 1st March 2018. The total of 2017 represents almost a half of the previous financial year 2016 (Lush Cosmetics Ltd 2017, p.8). The dividends that are not immediately paid are recognised only as the company's liability and no longer at the discretion of Lush (Lush Cosmetics Ltd 2017, p.28). Also, there was an interim dividend payment declared by the directors on 23rd February 2017, with the value of €204.44 per share with total of €1,680,324 (Lush Cosmetics Ltd 2017, p.34).

The reason behind it the reduced dividends paid in 2017 is that the company did not have sufficient distributable reserves available. To solve this, the parent company received a dividend of €1,568,302 from its Lush Ltd. subsidiary to regularise the distributable reserves. A final dividend for the year in total of €1,680,324 with a price of €184.01 per share was then paid on 30th June 2017. Another interim dividend of €122.67 per share in total of €1,120,216 on 7th March 2018. These dividends were all funded by the post-year-end dividends received from the subsidiary 2016 (Lush Cosmetics Ltd 2017, p.34).

2. Transparency

Lush follows the same transparency policy no matter if it's the employees, direct stakeholders or wide communities and publics. Stakeholders can openly communicate with the company as it regularly shares the organisational performance information, policy and ethical approaches or any detailed supply chain information (Jenkins 2014; Lush Cosmetics Ltd 2017, p.4). Moreover, Lush publicly communicates the issue it faces and how they will be handled. The latest example was alarming findings of child labour within mineral mica mining in India, possibly occurring within supply chain of many cosmetic brands, Lush included. Anyone interested can easily find on the internet how company proceeds in managing this social issue including activism, intra-organisational procurements and in-bound logistics management (Lush Fresh Handmade Cosmetics UK 2019d; Smart Company 2016). The case of child labouring and mica mining is elaborated in the Appendix 5.

3. Stakeholder Management

Within the stakeholder approach, the company forges the relationship with all the people and institutions, that might have or be affected by company's business. This includes a wide circle of stakeholders (Hund et al. 2002). Especially towards employees, Lush has a very united view on the relationship management: *“All staff should be treated equally and with respect at all times. There is no glass ceiling. We expect to provide better than legislated for working conditions.”* (Lush Fresh Handmade Cosmetics UK 2019t).

4. Anti-Corruption and Anti-Bribery Policy

Lush claims itself to have a *“zero-tolerance”* for corruption or bribery and encourages the management to work only in most fair and professional manner as possible. Their Anti-Corruption and Anti-Bribery policy covers the act of all the

employees, partners, suppliers and any third party funded by or commercially involved in Lush's funding schemes. This policy includes a strict regulation of record keeping and receiving of the hospitality and gifts, and "*blow the whistle*" instructions for raising the concerns (Lush Fresh Handmade Cosmetics UK 2019q).

2.3.2 Content Analysis and Lush's Value Chain Analysis

The literature observed the phenomenon of modern ethical businesses making emotional connection part of a broad strategy that involves every function in their value-supply chain, from product development and marketing to sales and service (Magids, Zorfas and Leemon 2015). For the purpose of identifying hotspots in the Lush's processes that adds value to the products and services, the Porter's Value Chain analysis will be conducted (Porter 1998; Porter and Kramer 2006) and merged with the content analysis of CSR activities depicted from annual report 2017, UK, US and Canadian company websites, social media and relevant online articles and interviews on the subject.

1. Inbound Logistics

Ethical Sourcing

The annual growth of the business continuously challenges the management regarding its sourcing function (Lush Cosmetics Ltd 2017, p.4). Along with the growing demand of key product ingredients, this motivated Lush to focus on new regenerative strategies for growing and processing simultaneously with moving from distributors to the producers across the range of natural and safe synthetic ingredients (Lush Cosmetics Ltd 2017, p.4; Lush Fresh Handmade Cosmetics UK 2019d).

As well as the nature of ingredients, the processes and policy of suppliers play a key role in compounding responsible corporation's value chain. But involving only the supply of fair-trade ingredients does not seem to be enough of a solution to the issue of inequality in market supply chain (Smart Company 2016). Avoiding for example the child labour or discrimination tendencies of suppliers has been, according to Bengtsen and Paddison, struggle even for CSR active company as Lush. The mineral mica, which was mostly used as a shimmery component of many decorative cosmetic products in past, was an impetus of changes in attitudes of many global cosmetic brands and their sourcing policy as mica has been found to be (most probably) a product of child labour from India.

But it seems that still in 2016, Lush could not fully eliminate the Indian mica from its supply chain – a decade after being alerted (Bengtson and Paddison 2016; Nesbitt 2014). See Appendix 7 for the full case study of Lush facing the Guardian’s alert about child labour and mica mining.

After revisiting the sourcing policies, Lush publicized about their newly emerged commitment to the communities and areas from which they buy ingredients. “*We feel that our ingredients should be bought in a respectful way safeguarding the environment and the social impact.*” Hence the “*Buying team*” was established to focus on including following concerns into the supply chain: workers’ rights, environment, animal rights and transport impacts (Lush Fresh Handmade Cosmetics UK 2019d). Additionally, the “*Standard for the care of people in our Supply Chains*” was set and is required not only from the Lush direct suppliers, but their suppliers too. The official disclaimer warns individuals and organisation about possible termination of relationship with the company in case of breaching the Anti-slavery and Human Trafficking Policy (Annex 1 - Setting the Standard for the Care of People in Our Supply Chains 2019; Lush Fresh Handmade Cosmetics UK 2019f). Lush makes daily efforts to pursue responsible decision-making regarding from where, from whom and how it purchases ingredients and packaging for Lush (Lush Fresh Handmade Cosmetics UK 2019d).

Emissions and Congestions

The Lush pays attention to the environmental responsibility they have as a manufacturer of ethical cosmetics and that positively strengthens the loyalty of company’s customers (Loeb 2017). In order to offset demand pressure or political, environmental and exchange rate risks, the Lush built a wide network of raw material suppliers from multiple countries (Lush Cosmetics Ltd 2017, p.6).

The growing demand creates challenges in sourcing and manufacturing for Lush. From a global perspective, Lush’s manufacturing produced over 171 million units in 2017. As the sustainability and ethics of the sourcing is a strategic part of the company’s „*regenerative strategy*“, (Lush Cosmetics Ltd 2017, p.3), the management works directly with growing communities and engages new manufacturers in growing their key ingredients (Lush Cosmetics Ltd 2017, p.4).

2. Operations

Energy and Water Waste

The Lush obtains 7 cosmetic plants, each in a different country. The brand latest commitment happened in 2017 when a factory unit in Poole was purchased to serve as a centre of innovation and development. The management of the company is progressively implementing more plant incentives to ease a demanding pressure on the main UK facility and looking for other options how to transfer more operations out of the United Kingdom (Slawson 2019). As the policy of the company includes goals towards environment and equally dispersed labour demand, company locates their facilities strategically and close to the most demanding markets. Example is a newest manufactory in Dusseldorf, Germany that saturates demand of 7 foreign markets (Lush Cosmetics Ltd 2017, p.3-4).

3. Outbound Logistics

Product Transport Impact

Once the products are finalized, they are being send to the retailers all around the world by third parties. The plants are located in 7 different countries and the stores in 49. Their geographical distance causes higher-cost of retailing, the company, however, keeps a low margin policy. The company tries to strategically locate the facilities close to the most demanding markets (e.g. the United Kingdom gathers 102 stores and 1 facility, Japan has 102 stores and 1 facility, Germany has 41 stores and 1 facility that us supplied other markets (Austria, France, Italy, Czech Republic, Hungary, Sweden and Netherland) (Lush Cosmetics Ltd 2017, p.9). In the Appendix 7 the examples of Wal-Mart and Nestlé smartly relocating their affiliates to were given as a support for cost minimizing while additional improving the quality pf products and services. In addition to the Lush's location strategy, the company also incorporated Carbon Tax Policy initiative, which is a self-imposed tax it pays for the amount of emission its business processes create (Lush Fresh Handmade Cosmetics UK 2019e).

Packaging, Energy Waste, Recycling

Lush attitude towards recycling as not creating it in the first place. Following up on the development and innovation processes – where the staff focuses on producing “naked” product, means very little or no packaging at all. *“Each year we sell millions of ‘naked’ products, thereby reducing the amount of packaging sent to landfill. Lush uses*

less than half the packaging materials a comparable cosmetic company would use just by selling products without packaging.“ (Lush Fresh Handmade Cosmetics UK 2019h). Even the formulas of shampoos, tooth paste, or conditioners do not need packaging. Lush’s liquids and lotions, which require packaging, use 100% post-consumer recycled containers in order to reduce or eliminate landfill waste and energy on production. Further, gift-wrapping papers and shopping bags are made with the intention to leave very little to no carbon footprint. In 2014, Lush’s environmental practices saved “*over 300 trees, 135,000 gallons of water, 675 gallons of oil, and reduced greenhouse gas emissions by 28,000 CO2 equivalents.*” (Jenkins, 2014).

4. Marketing and Sales

Pricing

The natural, hand-made and non-preservative cosmetics manufacturing and retailing creates the cost of retailing above the industry average. Caused by continuously increasing demand, Lush’s crucial component ingredients are often scarce and the market crashes with soaring prices. Even though the management of the company strategically invests and into their regenerative strategies for growing and processing these key ingredients, Lush still recorded in 2016 and 2017 parent company and Group losses. Despite the decreased financial figures, Lush remains at the initiative of setting lower margins so the price stays “*fair*” (Lush Cosmetics Ltd 2016, p.2; Lush Cosmetics Ltd 2017, pp.4-5). Additionally, Lush keeps the packaging not only recycled (to the maximum technological extend) but also does not uses any extra packaging or sophisticated design. As a result, customers pay for the ingredients inside their product, not the distractions on the outside (Lush Fresh Handmade Cosmetics UK 2019o).

False Advertisement

In cosmetics, false advertising or misleading information use is one of the main issues in cosmetics advertising trust-worthiness, mostly regarding the animal testing or cruelty-free labelling (Brucclieri 2018; Fowler, Reisenwitz and Carlson 2015, pp.201-204). This is caused by the lack of use regulations (REACH in EU and FDA in US) and problematics of involvement of third parties (or countries in case of China) (Brucclieri 2018; Lush Fresh Handmade Cosmetics UK 2019i; Lush Fresh Handmade Cosmetics UK 2019j). For the purposes of checking the reliability of cruelty-free labelling, organisation

Leaping Bunny verifies cosmetic brands and provides them with a certification. Similar intentions are behind the organisation PETA (Bruculieri 2018).

In 2019, Lush is on the PETA guiding shopping list, however it is not certified by the Leaping Bunny (LB). North American affiliate representative explained this issue by pointing out the its animal testing policy is most probably the strictest one in the industry as they by ingredients only from the suppliers who has never tested on animal “*in any part of their business*”. With the LB certification, the responsibility of not testing on animals is put on the cosmetic brand only, not their whole supply chain. “*At Lush we believe our customers would not want their money going to a company that conducts animal testing and so we cannot sign up to the Leaping Bunny program because that would allow us to buy cruelty-free ingredients from a company that does conduct animal tests.*” (Lush Cosmetics North America 2012).

Consumer Information

The company establishes relationships with the buyers by using favourable ingredients and honourable messages (see Appendix 4) and builds its image on an almost no-cost marketing and word of mouth strategy (Hrdlickova 2019). For company’s statements towards financing its marketing, see Appendix 6. Their products are resonating with consumer requirements on added value to the product (Loeb 2017). Satisfied customers share their opinions on social media, therefore promote the brand (Filtered Media 2018). The company establishes relationships with the buyers by using favourable ingredients and honourable messages that allows a consumer-company identification (Bhattacharya and Sen 2003; Du, Bhattacharya and Sen 2007, p.227). Company has been criticized for some controversial campaigns that negatively effective public opinion in the brand (Oppenheim 2018, Reynolds 2012).

Managing/Avoiding Obsolete Products

Lush has a policy of no bulk buying and no resale of our products. The main reasons for the policy are vitality of fresh ingredients and best potential of active enzymes used in products regarding the personal use. Therefore, Lush encourages customers to buy in small batch sizes and engage in a fast turn around and a short shelf life of the fresh natural products. This CSR strategy came into force as a Bulk Buying policy. Additionally, Lush is open to discussing „*special occasion bulk purchases*“ and offers

customers a communication channel for the situations when the larger purchase is adequate and reasonable (Lush Fresh Handmade Cosmetics UK 2019i).

Third Party Testing on Animals

Lush is fully aware of the problematics of rouge traders around the globe reselling their products. In this way, despite company's strong opposition to animal testing, the Lush's products might be sold at the risk of going stale, unsafe or exposed to animal testing as governments in some countries require so by the legislation. Lush disclaimed in this context: „*It is of the utmost importance to us that we do not allow our products to enter these countries in resale quantities – because of the risk that Lush products could be tested in this way, unknown by us.*“ (Lush Fresh Handmade Cosmetics UK 2019i). Other than spreading the awareness and education Lush's customers about such practises, the company engages in activism against law requiring animal testing. For example, the activism against passed EU REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) – however only the element of testing on animals (Lush Fresh Handmade Cosmetics UK 2019j).

5. Services

After-sales services might be just as important as promotional activities, as they enhance the value of the product after it has been sold. The unsatisfied customers could cause significant consequences to the positive reputation the Lush builds at so many levels (Porter 1985, pp.11-15). The after-sale service actually starts already in the store when purchasing as the front-line staff is fully trained and encouraged to educate customer about the proper use of the product and “*go the extra mile*” to make sure customer leaves with an excellent customer experience (Lush Fresh Handmade Cosmetics UK 2019t; Medium 2019).

Lush belongs among the companies that pursue that “*customer is always right*” approach. Hence it is possible to exchange any product or gift for not specified reason. If the customer can bring the product and receipt to the store, the refund is possible. To avoid these complications, Lush always encourages customers to ask for recommendation from staff and free sample to try before purchasing (Lush Fresh Handmade Cosmetics UK 2019n; Lush Fresh Handmade Cosmetics UK 2019t).

Customer Privacy

The company expanded their product and service range into a Spa treatment (Lush Fresh Handmade Cosmetics UK 2019). Recently the company opened several stores that except retail offers also a spa treatment with a Lush's signature spin. Other than that, the service stage for the retailer represents any after service that ensures a satisfied customer.

6. Procurement

In the procurement stage, the company collects raw material for compounding the products, packaging from the wide community of suppliers that share their ethical and quality standards at the best price. This stage also includes shop craft unique furniture and other pieces using reclaimed wood the company procures to gather additional value for the range of products and services (Lush Cosmetics Ltd 2017, p.4; Lush Fresh Handmade Cosmetics 2019).

7. Technology Development

Lush's range of unique products started with the invention of bath bomb in 1989. The company has patented many of its solid inventions, ranging from Bath Ballistics and Shampoo Bars to Toothy Tabs (Lush Fresh Handmade Cosmetics UK 2019h). Innovation no matter how small, can improve every department of the company. Lush has is regularly listening to customers insights and requirements, in order to deliver successful product line (Bagniewska 2016). Coming from the inside of the company, the department for innovation and research is developing in the newly purchase factory in Poole (Lush Cosmetics Ltd 2017, p.4).

Innovative In-Store Payments

Lush UK belongs among a few of the retailers who has built its own payment system, hence has taken greater control over its in-store technology. Lush introduced its new payment concept in 2018. Now the tablets are used as an interface powered by Android system. With this, staff can be mobile and walk around the store which allows customers to checkout and pay anywhere in the store. The tablets provide more payment options and faster transactions, which makes the scenario of abandon a purchase due to long queues or busy staff less likely to happen. In fact, reports suggest that revenue has risen by 20% since the introduction of the new system (Gilliland 2018). Lush decided to open-sourced their innovative till system, so it is allowing other people to use the software, upgrade and again share with a community, rather than giving millions of

pounds to faceless corporations. With this effort, the company tries to disrupt big corporate companies who make a profit on systems such as tills. The whole software is being managed ethically, means that it is powered by renewable energy source – google cloud and “*we only store the bare minimum of your information and we store it securely. We will only use your data for processing and invoicing your purchases. And finally, we're providing technology back for free rather than building something and trying to commercialise it.*” (Lush Fresh Handmade Cosmetics UK 2019u).

IT

The growing digital sales force Lush to have a very good technology department working on the Service Orientated Architecture to enable faster production of features and releases. Moreover, their website to Google Cloud Platform in order to fulfil the commitment of powering all data centres by renewable energy sources (Lush Cosmetics Ltd 2017, p.3). The education, training and development of Lush staff is progressively becoming digital. In 2017, London support team started working from a new facility in SOHO, where the broadcasting and online content is generated, and staff trainings are held (Lush Cosmetics Ltd 2017, p.5).

Mobile Application

Lush Connect - a custom-made app that links staff, customers and the wider Lush world together in one digital space. Company’s desire to relay accurate and helpful information is now embodied in Lush Connect app, which is a custom-made app that links staff, customers and the wider Lush world together in one digital space (KPMG Nunwood 2018; Lush Fresh Handmade Cosmetics UK 2019p). It’s part of the company’s long-term vision to connect all of its employees and customers globally, helping to create a sense of community around the Lush brand and the app should allow that. At the core it is a bit like LinkedIn meets Facebook. You can create a profile, say who you are, where you work, where you have worked, and you can say what your skills are, what your passions are - all of those things, and then you can connect with other staff in and outside your team and country (Lush Fresh Handmade Cosmetics UK 2019p). The company worked with design firm Oven Bits on the app (Tode 2019).

Naked Store

At the beginning of 2019, Lush redone one of the locations in Manchester to the new “*Lush Naked*” format. This initiative is a follow up of previously successful Naked

stores in Milan and Berlin from 2018. Only plastic-free packaged product can be found there ranging from the company's signature solid shampoo bars and soaps to new skincare innovations. Visitors of the store can now use the LushLab app with the phone camera aiming at the displaced product, wants the software recognizes the concrete product, it gives user detailed ingredient information and option to watch *"how to use" demonstrations.*" This was, Lush tries to change the standards of the industry, in which packaging costs customer more than the product and replace the issue with *"digital solution"* (Heward 2019; Wilson 2019).

Toxic Ingredients

The Global Community emphasised the importance of consumers' perspective on non-environmentally friendly business practices, including use of supposedly toxic ingredients, especially those derived from petroleum, sodium lauryl sulphate, and parabens (The Council Community 2019). To avoid the use of majority of preservative, Lush's development and innovation centres continues coming up with solid formulations that do not need preservatives or excess packaging, which proved to be *"kinder for the environment"* (Lush Cosmetics Ltd 2017, p.4; Lush Fresh Handmade Cosmetics UK 2019c; Lush Fresh Handmade Cosmetics UK 2019h).

Privacy

Lush collects and processes some personal data when customers use its website, from the signing up to Lush's newsletter, purchasing a product/service to taking part in a competition or event. The data being collected can be grouped into identity data, contact data, financial data, transaction data, technical data, profile data, usage data, aggregated data and marketing and communication data. *"Except for marketing communications, generally we do not rely on consent as a legal basis for processing your personal data."* The only purposes for which the personal data will be used are registering a new customer, delivery processes, asking for the participation in survey competition, enabling to partake in events, administering the business and website, to delivering a relevant content, data analytics for development and marketing communication. *"We will only use your personal data for the purposes for which we collected it, unless we reasonably consider that we need to use it for another reason and that reason is compatible with the original purpose"* (Lush Fresh Handmade Cosmetics UK 2019h).

Recycling

The products, which Lush cannot distributed in the „*naked*“ form (mostly lotion, gels and creams), are packaged in Lush’s back pots made of mixed recycled plastic and recycled pot material. After the customers runs out of the products, he or she can return them to the store and receive a mask of choice for free. Returned black pots are then send to the manufactory in Poole, where they are reformulated into the new pots within Lush own recycling centre – The Green Hub. These “*re-newed*” black pots are always labelled as “*Not a Virgin*”. The company also recycles PP to make bottle tops, lipstick tubes, make up containers and others. For some products, Lush uses a completely recyclable form of PP. The development team is currently working on inventing a vacuum forming type that would be available for recycled PP as product moulds (Lush Fresh Handmade Cosmetics UK 2019o).

The bottled products as shower gels and shampoos use a polyethylene terephthalate (PET) which can be easily recycled by local councils. For the gift sets, the company uses from include rigid, handmade boxes, fluted boxes to handmade pulped baubles used to create rounded shapes. All can be reused and recycled. Any additional content of gift boxes (gift cards, wraps etc.) are also made out of 100% recycled paper or recycled cotton and can be reused or recycled again at home. The ribbons arranged over the boxes are made from plastic bottles collected in Italy or from warp and weft materials (Lush Fresh Handmade Cosmetics UK 2019o).

Animal Testing

The end of the 20th century broth a significant criticism for the lack of ethical and environmental concerns in business practises of cosmetic corporation, regarding the animal rights and toxic ingredients especially. The study of customer perception from 1990 already pointed out that “*cruelty-free*” was and will be the primary criterion (The Council Community 2019).

Adequately to the Lush’s sourcing policy (refusing materials that contain animal derivatives and allowing ingredients at least unsuitable for vegetarians - some may be vegan - and only buying raw materials from companies that are not involved in the use of, or commission the use of, animals for testing and have no plans to do so in the future), the company itself also does not test any of their products on animals. “*We recognise that*

customer safety is of importance but that this can be assured without the use of animals.”
(Lush Fresh Handmade Cosmetics UK 2019g).

Education

Any productive corporation needs healthy and educated society for a mutually beneficial relationship (Porter and Kramer 2006, p.83). Canadian Lush subsidiary financially supports and coordinates over thirty student-run fossil fuel divestment campaigns on campuses, helps to organize conferences focusing on training of young society within The Canadian Youth Climate Coalition (Lush Fresh Handmade Cosmetics CA 2019a). In the US, the local subsidiary posted a video and related article on the importance of educating wider society about the LGBTQ2+ and especially teachers at school whose role is to create a welcoming and accepting learning environment for everyone (Lush Cosmetics North America 2018).

8. Human Resource Management

Training

The Human Resource Management (HRM) of the company recruits, trains and delegate labour force for the manufacturing, retail and management. Globally Lush employs more than 20,000 people and it is important that every single one of them identifies with Lush’s “*character*” and values (Lush Fresh Handmade Cosmetics UK 2019f). In order to efficiently communicate this, Lush has communicating system with the suppliers as well as its employees. For example, the members of team responsible for sourcing of the supply chain (see sub-chapter Inbound Logistics) receive training forged by the Ethical Buying Initiative course. “*With this experience, they’re more likely to identify possible warning signs and raise issues if a supplier looks like they might be slipping below our expected standards.*” In the up-coming year, Lush plans to roll out a programme on the corporate level, that will help with educating staff on the risks of modern slavery and human trafficking. They also work on incorporating training initiative that will be aiming at employees who are specifically involved in managing Lush’s supply chain (Lush Fresh Handmade Cosmetics UK 2019m).

Based on the recruitment and training procedures by which Lush assures that all the staff members pro-actively share the brand core values, the company feels confident to not only allow employees to contribute via employee ownership system (explained further in the chapter), but also gives employees (mostly in-store) the freedom to make

decisions in the spur of the moment, go off script and do what they feel is the right thing for the customer. As a result, empowered employees take pride and ownership of their jobs when they know they can exercise independent judgement (Medium 2019).

Lush likes their employees to be knowledgeable about the products not only from the product training, but from the personal experience too. Therefore, the staff has access to all new products free of charge, have supplies of products at hands on trainings sessions and have a good staff discount for continued use of products at home (Lush Fresh Handmade Cosmetics UK 2019t).

Compensation Policies

Traditional focus on holding down wage levels or reducing benefits (e. g. health care coverage) with the intention to minimize the cost of “*expensive*” workforce is the beginning of advancement determination to employee productivity. According to Porter and Kramer (2011, pp. 67-68), leading companies have learned that this eventually leads to poor health of the staff which costs companies more than health benefits do (lost working days or diminished productivity). See Appendix 7 for supporting case study.

Globally, Lush is committed to paying the “*real*” wage at all levels of business. In London specifically, the company is accredited as the “*Living Wage payer*” in May 2011 and since then It has spread the strategy to the whole UK. In July 2017, Lush committed to pay fair Living Wages to all the staff members in New Zealand. In Netherlands, where the minimum wage is banded to worker’s age, all the local employees receive the same hourly rate no matter how old they are (Lush Cosmetics Ltd 2017, pp.4-5).

In Australian subsidiary, the director Mark Lincoln and Peta Granger claimed their compensation policy and employee satisfaction as one of the big wins internally. From the anonymous staff survey the company found out 70% of more than 400 employees were satisfied with they work, pay and working environment (Smart Company 2016).

Employee Benefits

Via the Lush Cosmetics Employee Benefit Trust company seeks to protect the organisational prosperity and simultaneously recognise employees’ contribution to the business success (Lush Cosmetics Ltd 2017, p.4). Lush plans to reach the employee ownership level of 35% of the Trust shareholding in the closest future (statement from 2017).

Following on Lush's review of their maternity leave, the women in Germany (71% of workforce) have now 6 months of fully paid maternity leave and are provided with childcare funding to enable returning back to work. In UK specifically, Lush men are fully paid 4 weeks of paternity leave. This policy also allows shared parental leave and covers cases of adoption (Lush Cosmetics Ltd 2017, p.4).

Transparency and Communication with Global Employees

Lush follows a policy of openly communicating with employees and regularly sharing the organisational performance information. Additionally, the company throws down International Meetings twice a year, whose purpose is to serve as forums where people share buying stories, innovation and charitable giving stories as well as learning platform for communicating corporate values and listening to inspirational speakers (Lush Cosmetics Ltd 2017, p.4).

Brexit

After the announcement of Brexit, UK staffing pressure increase significantly as the company employs a larger number of non-UK nationalities and there is no certainty in what Brexit will mean for British nationals living abroad and EEA nationals living in the UK (Lush Cosmetics Ltd 2017, p.2; Lush Fresh Handmade Cosmetics UK 2019a). The management of the company pro-actively proceeded to support staff members possibly affected by the UK's withdrawal from the EU and assembled a guide that could help anyone (as this is publicly shared on the website, not only with the staff) to stay in the UK after Brexit (Lush Fresh Handmade Cosmetics UK 2019a).

Working Conditions

Despite the ethical format of the business since the very beginning in 1970, its social impacts were not always criticism-proof as was explained in the Appendix 5 in the case of possibly child laboured mica mineral in Lush's supply chain or in the Marketing and Sale sub-chapter of this analysis regarding the mis-leading advertising. And maybe yielding from this, Lush incorporated Modern Slavery Act 2015 into their portfolio of corporation strategical policies (Lush Fresh Handmade Cosmetics UK 2019l).

“Modern slavery is the phrase used to describe human trafficking and forced labour, as well as practices such as debt bondage and the sale or exploitation of children. A thread runs through these offences: they involve one person depriving another person of their liberty, in order to exploit them for personal or commercial gain.” This policy

includes supplier questionnaire, auditing, local producers, third party inspections (Lush Fresh Handmade Cosmetics UK 2019l).

Furthermore, Lush encourages general public into “*whistleblowing*”, means reporting any types of wrongdoing in any part of Lush’s supply chain (Lush Fresh Handmade Cosmetics UK 2019m). The relevant malpractice is according to the corporate British The Public Interest Disclosure Act (1998) following: criminal offence, failure to comply with a legal obligations, miscarriage of justice, the individual health and safety endanger, risk or actual environmental damage and activity concealing any information relating to the previous ones (Lush Fresh Handmade Cosmetics UK 2019m; The Public Interest Disclosure Act 1998).

The process of blowing the whistle is closely connected to the personal data processing. In such a case, company requires a whistle-blowers consent to record their personal data that are relevant to the investigation. The data are securely held, and access is restricted to those individuals who are directly involved in the whistleblowing process in order to protect any leaks of personal information (Lush Fresh Handmade Cosmetics UK 2019m).

Diversity and Discrimination

Lush ensures that regardless of gender, race, age equality, body art (e.g. tattoos, hair-style), religion, colour, ethnic background or disability, all of the employees have the same working conditions (Lush Cosmetics Ltd 2017, pp.2-5; Lush Fresh Handmade Cosmetics US 2019b). Following on the agreement of board members in the company that the employees’ voice should be heard regarding a specific ethical issue, the USA management conducted an intra-organisational survey with the intention to be left with the top issues that were most important their employees. The issue of equality to same sex couples came up as a number one in 2011. “*Lush stands behind their employees because their employees stand behind them.*” (Jenkins 2014). Hence, LUSH stood behind its employee’s values and created a petition against The Defence of Marriage Act which denies committed gay and lesbian couples the right to marry and deprives them and their families the 1138 civil rights that come with federal marriage recognition (Jenkins 2014; Lush Fresh Handmade Cosmetics US 2019).

“Customers and community members across North America came out to support the Freedom to Marry, we had over 7000 postcard petitions signed and Kiss and Tell

demonstrations were held in shops across North America. At the very end of our campaign, same-sex marriage became legal in the state of New York on June 24, 2011 and came into effect one month later. Currently nine states and the District of Columbia allow same-sex couples to marry with more initiatives and campaigns underway.” (Lush Fresh Handmade Cosmetics US 2019).

In the context of the possible no-deal Brexit, Lush took many reasonable steps to prevent demand offsets, emergence of any political issues via their multi-national supplier network (Lush Cosmetics Ltd 2017, p.6) and educating their employees on the problematics if immigrant right in UK. Except giving individual offers to pro-actively transfer to other Lush facilities outside of UK (for immigrants) and vice versa in the case of residents working outside of the United Kingdom. Thanks to the efficient and strategically dispersed corporate infrastructure, the company is capable of offering a fair and well-perceived job placement in locations as the newest manufactory in Dusseldorf, Germany that saturates demand of 7 foreign markets (Lush Cosmetics Ltd 2017, pp.3-4).

9. Corporate Infrastructure

HR Transport Impact

From the global perspective of 49 countries, the company has a professional and passionate management team supervised by the founders and a strong infrastructure among the mother company and all subsidiaries. This counts over 20,000 employees from all levels. Anytime there is an important management meeting, or any other occasion by which the staff of Lush is forced to travel, the company calculates the possible adequate environmental impacts it has and “*pays the tax*”. This CSR activity came to force under the Air Travel and Carbon Tax Policy and contributes to different environmental charities (Lush Fresh Handmade Cosmetics UK 2019e; Lush Fresh Handmade Cosmetics UK 2019l).

10. Corporate Level Strategy

Every decision the company makes is in a correlation with the transparent core values company follows (see Appendix 4). The vision of fresh, handmade, ethical, not tested on animals, “*naked*” and vegetarian business specialised in inventing, manufacturing and retailing cosmetic products, is being pursued in every of 932 stores around the globe (Lush Cosmetics Ltd 2017, p.1). Lush’s “*naked*” products now make up 50% of its core assortment (Wilson 2019).

In addition to all the CSR policies the company follows in every single dimension of its value chain, Lush often tends to step out publicly, vocalise and overall spread the awareness of either social or environmental issues that are opponent to its ethical values. As an example of Lush's activism, their fighting against animal testing initiatives will be elaborated. Following on the number of policies (e.g. Ethical buying policy, Alternative testing policy, Re-selling policy/Bulk buying policy), the company embedded Lush Prize rewards, which is a unique collaboration between Lush Cosmetics and Ethical Consumer Research Association, which annually awards young researcher, scientists, lobbyists, trainers and public speakers who work to end or replace animal testing, particularly in the area of toxicology research. In 2018, 17 individual winners shared a total fund of £330,000 (Lush Prize 2019).

Within its philanthropic activities, Lush launched the Charity Pot (body and hand lotion). 100% (excluding VAT) of every single item sold goes to small non-profit organizations which were picked usually by the employees to support their activism regarding the ethics of environmental conservation, animal welfare and human rights (Jenkins 2014; Lush Fresh Handmade Cosmetics UK 2019k; Lush Fresh Handmade Cosmetics US 2019a). However not every chosen activity or its communication have been well accepted by public. In 2018, Lush's UK subsidiary was strongly criticized for a controversial campaign which highlighted the British scandal over undercover police officers forging intimate relationships with women they spied on. The issue was not handled elegantly and negatively effective public opinion on the brand (Oppenheim 2018).

11. Business Level Strategy

Particularly Lush's business-level strategy focuses on the way the company will compete in a cosmetic business (Porter 1996, p.64). In this level, several policies were generated and are pursued the deliver products and services that satisfies customers' needs and desires. Part of this is a business strategy of expanding into attractive foreign countries. The most successful market is North America with a 73,5 million GBP (Lush Cosmetics Ltd 2017, p.2). Another business strategy focuses on opening less stores by number, but rather few of a larger scale and in prime location (Lush Cosmetics Ltd 2017, pp.1-7).

12. Customer Perspective

The needs and wants of the Lush' customers are being successfully fulfilled by cycling the market research, observing the online discussion platforms and launching products the market asks for. The company communicates with the customers via many channels (annual reports, websites, social media, in-store campaigns, etc.) and follow the same transparency policy as with its employees or other effected communities (Jenkins 2014; Lush Cosmetics Ltd 2017, pp.4-5). "*Lushies*" can find the information on ingredients used, description of the manufacturing facilities involved, and corresponding health benefits through these channels. Moreover, product packaging includes labels that tell the specific human being who made each one. When buying in person, all the cosmetics can be tested before buying (Jenkins 2014). It is generally believed that Lush's customers identify themselves with Lush's stance towards prominent global issues (Filtered Media 2018; Teather 2019).

"In this case, they are choosing to buy LUSH's products not because they need new shampoo, but because they somehow identify with the story behind the product. While the company definitely sells within a niche market, the buyers that they attract are relatively easy to please because they already resonate with the principles and purpose of the business" (Jenkins 2014). More on the customer perspective will be elaborated in the Online Survey breakdown.

2.3.3 CSR Communication

In April 2019, Lush announced shutting down (not deleting, only discontinuing the use in some cases) several of UK social media accounts, including the ones on Facebook, Instagram and Twitter. On 20th June 2019 the Instagram LUSH UK account counted around 593,000 followers, 202,000 on Twitter and over 423,000 on Facebook. Company representatives stated that the main reason for this action was being "*tired of fighting with algorithms*" and did not want to "*pay to appear*" in newsfeeds (BBC News 2019). However, this might be somehow connected with recently launching the Lush Connect app as a new communication platform with all the stakeholders.

It was discussed previously that the motives of engaging in CSR activities of successful responsible corporations mostly have been in seeking the improvement of

relationships between the company and society, and eventually gaining a competitive advantage (Carroll 2015). In the Chapter 1.3.2 Author elaborated on the importance of properly communicating CSR activities with the shareholders, customers most importantly (Bhattacharya, Korschun and Sen 2008; Klein and Dawar 2004; Magids, Zorfas and Leemon 2015; Sen 2006). The appropriately constructed CSR strategy along with communicating its core values reinforces C-C identification, forges customer loyalty and advocacy, and causes other financial benefits as increase in sales or market share (Bhattacharya and Sen 2003; Du, Bhattacharya and Sen 2007).

The Lush's director board is fully aware of the crucial role the communication of the CSR activities plays in efficiency and performance (Smart Company 2016). The customers communicate with Lush via many channels as websites, social media, in-store or online customer service, app, etc. (Jenkins 2014; Lush Cosmetics Ltd 2017, pp.4-5). The product information on ingredients used, description of the manufacturing facilities involved, and corresponding health benefits are always transparently placed on the packaging of in-store products or in the product description on the website. Moreover, product packaging includes labels that tell the specific human being who made each one (Jenkins 2014).

In an interview for Smart Company, Australian Lush representative expressed what strongly contributed to the engagement of staff and customers into CSR activities: *“Learning to tell our story better definitely had a big impact. We just got better at communicating [the values and ethics that had always been there] to staff and customers. Having both of those sets of people understand who we are, what we do and the lengths that we go to, that has a huge impact on engagement.”* (Smart Company 2016).

Lush management educates and encourages the staff in conversation about *“sensitive issues”* as they play a key role in the front-line of Lush. As an example, in Australia the broadcast and billboards for not-for-profits, charities and greater causes are located in the busiest retail spots to spread the awareness of the surrounding society and *“support the local wisdoms”* (Smart Company 2016). The whole circle of Lush's stakeholder can now communicate and be informed via the Lush app. As the teenage and young adult women are the Lush's fastest growing consumer segments, the launch of the mobile app seems to be a point of an opportunity for the company (Tode 2019).

In the Chapter 1.3.2 the social media were found as the most effective channel to allow emotional connection with the customer and could result in a profitable outcome for the company (Magids, Zorfas and Leemon 2015). However as was discussed above, Lush HQ decided on quitting some of the most followed social media accounts (BBC News 2019). Previously, the social media took over as a platform for conversations relating to products, and advice on how to use them. Earlier, these conversations were taking place on the internet forums or were communicated via letters even earlier before. According to KPMG's observations from 2018, Lush effectively and regularly *“demonstrates that it is a retailer that understands the importance of its customers' event-based experiences, such as 'bath time' or 'me time,' and provides products and interactions that are appropriately connected”* on social media (KPMG Nunwood 2018) and lately, within the new app called Lush Connect as well (Tode 2019).

The app was designed as a merge of shopping process and important message communication, so it fits to the life-style of millennials. Before the purchase, user can go through the related articles, list of ingredients which makes the *“social content shoppable”*. The app users can find the all available product information or Lush's values incorporated in curated stories section. Also, customers can easily find the closest store to their current location and shop online. Other app features include managing personal wish list, gift cards or pay with PayPal and Apple Pay (Lush Fresh Handmade Cosmetics UK 2019r; Tode 2019).

Currently in 2019, the app is only available in the U.S. and UK for iOS and Android. An app for Canada is still a work in progress (Tode 2019). This initiative creates a promising opportunity for Lush, considering that 56.5% of the global population own a mobile phone (figure that is expected to continue growing). The digital designer, Adam Goswell continues *“...because everyone has got a phone in their pocket, and that's what everyone uses as their primary way of getting content.”* The plan is to eventually start using Lush Connect as a campaigning tool so all the stakeholders will be getting important messages *“instantly straight to their pockets.”* (Lush Fresh Handmade Cosmetics UK 2019p; Lush Fresh Handmade Cosmetics UK 2019r).

The senior management pays attention to the changes in the industry and the reducing reach of TV and magazine advertising. They acknowledge the power of the internet bloggers and that the social media *“have their sales”* (Lush Cosmetics Ltd 2017,

p.2). Still, rather than spending on celebrity endorsements and overall marketing strategies, Lush tends to prioritize risky social and political campaigns or just pursue their environmental and ethical values, while letting the actions speak for themselves. This attitude awarded Lush with the international recognition at the 2016 World Retail Awards, where it was claimed to be the Responsible Retailer of the Year (Smart Company 2016). See Appendix 6 for the directors' statement on financing marketing in general for the Filtered Media podcast (2018).

Regarding the mentioned risky and political campaigns, Lush truly stands behind their statements. Their rich spectrum of targeted issues maps the area from human rights and animal protection to the environmental preservation (Lush Fresh Handmade Cosmetics UK 2019s). Within the human rights area, the campaigns account: No one is illegal (regarding the immigration politics), Piece Pioneers (supporting its Columbian supplier of cocoa beans who have experienced violence and intimidation by the army, leftist guerrilla fighters and right-wing paramilitary groups), Common Decency (supporting the “*colour-blind political movement*” fighting against inequality and politically corrupted elections in the collaboration with Brian May – guitarist from the rock band Queen) or PirateBox (promoting an offline chat forum that can be used in refugee camps to share helpful information and encourage collaboration, or in the areas with “*media blackouts*”) and many more (Lush Fresh Handmade Cosmetics UK 2019s).

Beside many others activism efforts from the UK affiliate, the Lush's environmental campaigning focused on fighting against fracking in Lancashire over the many-years protest of Lancashire Nanas And Residents Against Fracking local community; shutting the British largest coal mine or protesting within the “*Plane Stupid*” which points at the carbon footprint of air travel over the trains (Lush Fresh Handmade Cosmetics UK 2019s). Another example of Lush environmental activism practises could be their stuff voluntarily going naked to highlight the global environmental crisis posed by plastic packaging for the occasions as their environmental campaign in 2007 or opening Naked store in Manchester at the beginning of 2019 (Heward 2019; Wilson 2019).

The animal protection dimension covers the issues as an extinction of concrete animal species, cultural customs (e. g. Bull fighting in Spain) or animal testing and law regulation of it in some countries. Lush's activism against animal testing and non-

vegetarian cosmetics might belong to those most controversial ones (Oppenheim 2018; Reynolds 2012; Lush Fresh Handmade Cosmetics UK 2019v). For example, on 24th April 2012 Lush threw down a public demonstration of laboratory practises on animals. The volunteer woman was “*placed in the window on a bench, like a laboratory animal, and experimented on in the full view of horrified shoppers. She had drops put into her eyes, was injected, force fed with her mouth held open by separators and had some of her hair shaved off, all to provide a visual representation of what laboratory animals go through every day.*” (Lush Fresh Handmade Cosmetics UK 2019v).

In the June 2019, Lush contributed to the LGBTQ2+ Pride Month by creating a rainbow-like shampoo bars and soaps to raise money for the Love Fund. This is not the first time Lush paid a tribute to LGBTQ2+ community. In 2015 (the year of same-sex marriage legalization by the Supreme Court in UK), Lush launched an LGBTQ2+ acceptance campaign featuring their “*Gay is Okay*” soap. The intention of the campaign was to raise the awareness, that still (in 2015) there were 76 countries where being gay was illegal, in 10 it could cost one’s life and in some countries the Pride products could not be even sold, due to portraying homosexuality in a positive light – Russia. The sales raised £275,955 for the Love Fund granting organisations fighting for rights, equality and acceptance around the world (Lush Fresh Handmade Cosmetics CA 2019a; Lush Fresh Handmade Cosmetics UK 2015). Among many other, Lush Valentine campaign for 2017 featured homosexual couples and received very positive public reactions (Clark 2017; Robb 2017).

2.3.4 SWOT Analysis

In the Chapter 1.4 the Author discussed the possible modification of SWOT analysis as an instructional model that can reflect modern CSR trade off with increased competitiveness or different transactional benefit. The proposal of Keifer and Keifer was highlighted as the authors argued that the relationship of “*the right and profitable*” should be embedded in SWOT analysis, which could offer “*a broader look at the social and environmental footprint of the firm and the long-term sustainability of a firm’s activities.*” (Keifer and Keifer 2009, pp.141, 147). Therefore, the SWOT analysis with the emphasis on social and environmental responsibility of Lush Ltd will be conducted in this chapter.

Internal Strengths

Despite being challenged by financially demanding sourcing of scarce ingredients, Lush has a well-established supply network among all the producers and farmers, rather than third-party distributors. This allows company not only to reduce the cost, therefore keep the prices relatively low, but also to directly communicate with all the stakeholders and influence their ethical business processes as well (Lush Cosmetics Ltd 2017, p.6).

Resonating core values of the company (see Appendix 4) are often a reason of customer loyalty (Komornicki 2017) and key factors of company's successful expansion. Charity donations, no animal testing, vegetarian/vegan manufacturing, fresh ingredients, real handmade, minimal waste policy are very popular "*Lushies's*" lifestyle trends in the Cosmetics and Personal Care industry (Loeb 2017). But as well as the C-C identification, the employee's identification with Lush's values play a key role. Moreover, the staff is continuously encouraged to share their ideas and opinions with the management, hence contribute the organisational performance, charitable targeting, raising the awareness of modern society issues or sharing their own knowledge and experience (Lush Cosmetics Ltd 2017, p.3; Smart Company 2016).

It is publicly thought that the company's top strength lies in progressive and innovative vision, especially when it comes to their incomparable customer experience (Gilliland 2018). The customer is guided into the store by a cloying soap odour, knowing that he or she will be treated as individual with personalised attention and suggestions fitting their specific needs (KPMG Nunwood 2018; Teather 2019). When entering the shop, the buyer is being welcomed by cheese-shop inspired interior and friendly employees (Gilliland 2018; Teather 2019). The Lush's in-store staff is trained to firstly recognise the type of a customer (Assertive, Analytical or amiable) in order to give a tailored customer service. The staff members are always expected to go an extra mile to deliver great experience as it is Lush's part of marketing strategy that only the most delighted customers can turn into promoters and recommend Lush brand to their friends and family by word-of-mouth.

Following on the multi-sensorial customer experience by the entrance of the store, Lush has mastered the art of leveraging the power of emotions. This can be demonstrated on the example from the interview for Medium: Lush employees are being encouraged to

“use mini facts of the day, focused on how they can connect with customers’ emotions. Rainy weather outside would mean that customers might feel a bit gloomy, so employees can uplift their spirit by being very cheery and offering colourful products that add zest.” (Medium 2019). As a result, Lush earned the top of 2015’s Customer Experience Excellence rankings to be named the number one customer experience brand in the UK (Engage Customer 2017). In 2016, it was a 3rd spot and in 2017 Lush dropped on the 5th position (KPMG Nunwood 2018).

The products themselves support company success by their fresh, handmade nature, colourful look that underlines the company’s ethical and environmental approach to doing a business. The customers are able to feel the texture or test it thanks to sample *“deli-style”* and that the final products are being sold in very limited packaging. In addition, the store is always occupied by enthusiastic and knowledgeable staff that is willing to provide a customer service in order to help with decision making. The quality of provided service is regularly schemed by mystery shoppers (Gilliland 2018; Lush Cosmetics Ltd 2017, p.5).

Employees’ solidarity is a strong enhancer of organisational performance (Bachoe and Koster 2015) that Lush gained through staff involvement in decision making, career development, working conditions, financial benefits, pension scheme, voluntary paying of the Real Living Wage (UK) and equality policy (Lush Cosmetics Ltd 2017, pp.5, 23 and 46). The Lush employment policy towards disabled workers, all genders, graduated students and race diversity was rewarded by employees’ positive online feedback and many listings of the company in Forbes’ Best Employers (Indeed 2019).

Other strengths of the company can be seen in their minimal-cost marketing and under- pricing their products (relatively to their luxurious). Lush Cosmetics benefits from word-of-mouth marketing and social media influencers positively reviewing and promoting the Brand. The company expended their product and service range into from a great variety of decorative cosmetics, skin care, hair and shower products, fragrances into a Spa treatment (Lush Fresh Handmade Cosmetics UK 2019).

Internal Weaknesses

The ongoing growth of the demand creates sourcing challenges for the company. Product ingredients are often scarce and the market crashes with soaring prices. Lush is progressively investing and developing their regenerative strategies for growing and

processing their key ingredients. Yet, the company still experiences continues losses on and tends to set lower margins (Lush Cosmetics Ltd 2016, p.2; Lush Cosmetics Ltd 2017, pp.4-5).

The specific odour the stores and products have can be also seen, to some extent, as a dissuasive for highly sensitive costumers searching for natural cosmetics as strong scents could evoke fragrance allergies to one and simply puts them off browsing (Bridges 2002). The fresh and delicate aspect of retailing a natural, non-preservative, hand-made cosmetics is causing a higher cost of retailing. As the demand and brand popularity grows, the focus on the improvement of in-store experience deepens and the cost of retailing rises. Logistics, interior design, product display, renovation, promotion events are all adding up on the costing of the retail.

The Lush team is not afraid of putting out often very controversial philosophies but in some cases the provocative campaign is not met with public acceptance. As an example, the company received a strong criticism for their UK “*spy-cops*” campaign that was ambiguous to the audience (Oppenheim 2018). The brand also proudly supports LGBT community as well as gives financial incentives to many activist groups. Their employees often attend or even organize political or social protests (Mohdin 2016).

External Opportunities

Porter and Kramer (2006, p.83) discussed the mutual relationship between educated society and productive corporation. The only sign of Lush being involved in a broader concept of education was found in Canadian affiliate where the company financially supports and coordinates conferences focusing on training of young society within The Canadian Youth Climate Coalition (Lush Fresh Handmade Cosmetics CA 2019a). Despite the already strong established policy of educating society by never-ending discussing on major ethical and environmental issues via its aware staff, campaigns, events, charitable donations or online posts, Lush has so much more potential of affecting people by stepping into the educational systems. Supporting students in learning more about the current hot topics (e. g. product testing option, ethical business opportunities, climate change) would not only educate the segment of society that has the greatest potential to influence the future, but also forge its control on the market and set the tone of how the business is and will be done going forward. Concept of cosmetic brand educating younger society is not a new idea in the industry as L'Oréal has already

established similar programme focused on the “*young scientists*” (The Royal Institution 2019).

Customer brand loyalty for the Lush Cosmetics has developed through the resonance of business philosophy and values with the customers and their ongoing good quality production of products the customers want or need (Komornicki 2017). The core values of the company match with the factors the consumers of beauty product found important when deciding to buy (Global Web Index 2019). Despite already providing some small range of product for males, the Lush’s products are mostly viewed as cosmetics for women. The author believes that focusing on expanding more into the men cosmetic market would improve the company’s retail operations worldwide. Similarly, when entering a country with “*aging nation*”, targeting a senior population could bring beneficial results, too.

The Lush has been progressively updating and developing their master website and online shopping platform that significantly contributes to the its profit (Lush Cosmetics Ltd 2017, p.3). Recently Lush increased their range of communication channels to app Lush Connect as an interactive consumer platform for discussion, sharing of experience, helpful insights or getting society involved in designing processes in the product development. The use of mobile as an interactive interface will slowly outgrow the notebooks and desktop computers hand in hand with the growing consumer segment of young adult women and teenagers. The CEO of Oven Bits (company designing the Lush Connect app) followed this with an expert few on the trends in IT: “*Combine this with more than 2.5 million Instagram followers, which is entirely accessed via mobile, and all indications point to a huge opportunity for Lush with native mobile commerce.*” (Tode 2019).

It might be, that the company could benefit from creating an awarding customer loyalty system compatible with the websites and the applications, so the user’s sharing, interacting and shopping motivation increases. This interface would be more suitable if convertible globally, meaning that customers could benefit from shopping in foreign countries when travelling as the company has built a strong global community of followers.

The Lush has been lately widening their range of product and services by investing into spa treatment research and has opened a few “*Spa and Shop*” store in the Europe.

Parallely to this sub-business, company may also improve their positioning on the cosmetic market by bringing their products into the wellness centres that ideally share their values and business philosophy (Lush Fresh Handmade Cosmetics UK 2019z).

Lastly, the company product range consist from over 80% of vegan products while 100% is vegetarian. It might be that the expansion of the vegan production has an impact on growth of the sales. As the vegetarian philosophy does not limit the use of vegan products, the vegan philosophy, however, draws a line in front of the use of the dairy and honey (Oppenheim 2018). The brand also proudly supports LGBT community as well as gives financial incentives to many activist groups. Their employees often attend or even organize political or social protests (Mohdin 2016). Radical activism and prominent image can be often hardly accepted by old-fashioned culture in the host-countries.

Lush proceeded to re-making its store concept into a new *“Lush Naked”* in Berlin, Milan and most recently Manchester. Plastic-free business is currently an attractive approach to the high-sensitive responsible customers and Lush is the very first cosmetic brand on the market to achieve such a milestone. Additionally, the visitors of the store can now use the LushLab app on their phones to receive all the desired information about the product and how to use it. Lush tries to change the standards of the industry, in which packaging costs customer more than the product and replace the issue with naked and *“digital solution”* (Heward 2019; Wilson 2019). The shopping bags and containers were replaced with ethical wraps and *“regenerative containers”*. *“This is the last step in our twenty-year development of naked products, but it’s the first step in the development of what Lush could be twenty years from now.”* (Lush Fresh Handmade Cosmetics UK 2019y).

External Threats

Lush’s quit on most of their social media (SM) accounts might be somehow connected with the recent launch of two new app, which were partially developed by the company’s own development department. Even though this innovative approach of connected with Lush’s already very strong community is an opportunity for the organisation, eliminating its connection with the SM followers might create a risk of losing or not reaching a great number of customers. In this case, the factor of how well managed and how well perceived the new platforms will be, is crucial.

Generally, whole cosmetic market competition is a threat for the company as the costumers might choose conventional products over the natural ones due to the convenience, lower prices or the benefits of using preserved products. The Lush Group is rapidly globalizing. However, the store locations still do not seem to be spread out enough, in the regard of fulfilling needs of costumers preferring store-shopping over the online purchasing. Threat lies in the possibility of costumer choosing local competitors with more points of sale in relevant geographical segment of the market (Lush Cosmetics Ltd 2016, p.6; Lush Cosmetics Ltd 2017, p.1).

With its global nature, Lush Group is a subject to a foreign exchange risk, despite the existence of multiple natural hedges between national currencies. With the HQ in UK, Lush's financial performance reflects the continuous weakening of the sterling as a result of Brexit uncertainty. Lush Group already operates through retail outlets in 49 countries and their financial transactions are being denominated in foreign (other than home-country) currency. The management of key derivative instruments to offset any adverse figures caused by exchange risk or tariffs will be critical as well as smart export decisions towards the outside-of-UK customers (Horowitz 2019; Lush Cosmetics Ltd 2016, p.6; Lush Cosmetics Ltd 2017, pp.1, 6-7).

Following up on the risk of changing political environment, there is still the possibility of "hard" Brexit, which might be un-friendly scenario for UK businesses. To prepare for the worst, company proceed to transfer a good percentage of European markets supply to the new facility in Germany (from the UK). Further, some of the UK employees accepted the opportunity to move to Germany, which is just a precautious step, considering there were over 50% of EU migrants working for the company in 2017. Moreover, the political uncertainty or actually Brexit-in-force will might cause a labour shortage, which continuous to be a major concern for the business. Regarding the supply chain, Lush must remain alert to changes in negations (tariffs etc.) of NAFTA, considering that its US retail business imports finished goods from Canadian manufactories. In the Middle East, Lush need to be monitoring the changes in economic and political environment, and customers' sentiment. Due to the impact of low oil prices, Lush might continue to experience more significant reductions of visitors in their Hong Kong locations. In past, Brazilian deep recession impacted the local sale figures to such

an extent that the Group was forced to leave the market in 2018 (Brazil Beauty News 2018; Lush Cosmetics Ltd 2017, p.6).

Even though Lush strategically analyses its financial health and reviews possible financial projections and its cash-flow, the ability to meet all the short-term financial demands. Currently, the company is finalizing the last (third) year of its UK Barclays multi-currency revolving credit, which allowed them to borrow up to €39,260,000 until 1st August of 2019 (Lush Cosmetics Ltd 2017, p.7).

Strengths:	Weaknesses:
<ul style="list-style-type: none"> - Excellent customer experience, - Good quality products and highly ranked customer service, - Company's core values and C-C identification, - Employees' solidarity and contribution to Lush's performance, - Almost no-cost marketing and lower prices than global competitors, - Interactive supplier network, - Expanding innovative product and service range. 	<ul style="list-style-type: none"> - Challenges from ethical and high-quality sourcing and manufacturing policy, - Higher-cost retailing with lower margins, - Controversial campaigns and sometimes radical activism, - Image of a hippie company, - Strong scent.
Opportunities:	Threats:
<ul style="list-style-type: none"> - Creating new app community, - Product placement in Spa, - Global customer loyalty award system, - Expanding market segmentation – men, more senior population, - Involved in education, - “Veganizing” the vegetarian product line, - Educating and changing the industry. 	<ul style="list-style-type: none"> - Consumers' convenience, - Getting behind the competition due to non-preserved nature of products, - Exchange rate risk, - Political environment – UK, Middle East, - Losing customers by quitting SM, - Insufficient number of stores near-by, - Liquidity risk.

Table 3: SWOT Matrix - Lush Cosmetics Ltd (by Author).

2.3.5 Online Survey on Consumers Perception of Lush's CSR

The Chapter 1.3.2 was dedicated to the supporting literature of the customers critical role for the organisational performance, especially regarding the CSR subject. Following on the discussed evidence, the online survey was conducted to receive a more concrete insights from customers creating demand on the market with cosmetics, which might help with creating a bigger picture on the perception of Lush's CSR practises.

General Overview

An online survey was distributed via Author's personal Facebook page, the "*Student Survey Swap [post one. take one. share one.]*." page and the reddit.com sharing platform with monthly average of 21 billion views, which allows users to share content, like and comment. Additionally, Reddit has a various number of communities with specific subjects for debate. For the purpose of this thesis, Author shared the online survey within the r/SampleSize community which specifies in sharing a casual, academic and marketing researches (Reddit Inc 2019). In order to receive at least partial participation of people familiar with Lush or Lush's practises, the survey was share with 2 Facebook communities focusing on natural or cruelty free lifestyle and cosmetics ("*Brno's Vegans*", "*Kosmetika netestovaná na zvířatech*" and "*LUSH Cosmetics Exclusives and Sneak Peeks*" pages). Before filling the survey, respondents were informed about the focus, manner and expected time consumption of the survey as well who is the targeted segment of it ("*anyone who as an opinion on cosmetics industry*").

The sharing method resulted in reaching overall 47 participants, while 8 responded to have a US nationality, 1 being British, 3 Slovaks, 1 Russian, 1 Polish, 1 Japanese, 4 Germans, 1 Danish, 1 Cypriot, 1 Croatian, 4 Canadians, 2 Australians and 18 were from Czech Republic. One respondent used the option of not answering questions throughout the whole survey, therefore only 46 completely filled out surveys were used of the analysis (Question 17).

Within the Question 16, nearly half (48%) of the respondents answered to receive bachelor's or master's degree, while the other half finished higher secondary or some kind of college education. The residual respondents answered "*others*" (3 respondents). Foregoing to the education data (Question 15), 78% of the respondents answered to be in the range of 19-30 age, 13% younger and 4% older than that. 41 respondents out of 47 claimed to be a female, which is understandable considering the subject of the survey or the largest target segment of Lush's customers. In order to put later question on monthly spending on cosmetics in the context, the Question 18 on respondents' monthly income was incorporated, where 61% responded to have a monthly net income at or below €873.

To conclude, based on averaging the data discussed above, the average respondent of the online survey was a Middle-European female in the age of 19-30 with finished

higher level of education and receiving a monthly net income at or just below the average in the Middle-European region (Eurostat 2019).

Results of the Online Survey

Respondents' answer on monthly spending for cosmetics product varied quite a lot, which was possibly caused by some demographic aspects. For example, 5 respondents answered they do not buy cosmetics product at all. The differences in spending less than €7 and spending more than €18 per month might be a possible outcome of the geographical range of the sample more than of the income differences, as majority (61%) of the respondents reported to earn less than €873 monthly. 86% have a monthly income below €1,758 (Question 18). Therefore, the sample of respondents represents, generally, a good variety of living standards as well as of consumption behaviours on the market with cosmetics products.

The respondents were asked to give three favourite cosmetic brands they tend to buy and explain why is so. The following table (Question 2) displays top 4 answers given. To create a picture on the sample, the reasoning of the brand choices was analysed and it can be concluded that acknowledging ethical efforts of the business was a crucial aspect in purchase decision-making for the majority of the respondents, as only 21 explanations out of 88 that were recorded did not include any aspect of brands' responsibility towards society, environment or animals. The most common reason of preference was the aspect of quality of the product while 32% of those responses put the quality in the correlation with price (mostly "*good quality for the price*"). Second most common reason was a cruelty free policy of the brand and the third was an aspect of personal preference ("*it just fits my skin well*").

It was furthermore investigated how important the respondents find certain factors in their buying decisions in the Question 3. These factors were not specifically about CSR, but some options were related to the concept. This question served to understand what customers generally find important when it comes to buying cosmetics. The results positively correlate with the findings of the previous question. The quality and price of the cosmetics product is still a determinative factor influencing customers' purchasing behaviour, however, the factors connected to CSR (natural, cruelty-free, friendly to environment, socially responsible etc.).

The Question 4 was designed to find out the respondents' general perspective on CSR communication, and specifically how often they think the company should be sharing information about their social and environmental efforts. 65% of the respondents believe the CSR activity should be communicated as often as possible and only 4% would say that this communication should be cut down to annual reports or web pages. Most interestingly, none of the respondents thinks that there should be no communication at all.

In order to measure the social value orientation of customers they were asked to indicate whether they agreed with 14 statements displayed in the following table. The social value orientation consists of both the perceived importance of CSR, and the awareness of CSR. 80% of the respondents think they are aware of most of the social and environmental issues challenging our society (Statement 5a), however less than that (58%) are aware about the social and environmental efforts of their favourite brands (Statement 5n). Further, the statements investigating concrete purchase behaviour and respondents' inclination towards each dimension of CSR resulted in 76% of respondents actively seeking out cruelty-free brands (Statement 5d) and 82% avoiding brands that are known to harm the environment (Statement 5h). This all is being put into an interesting retrospective, considering that only near half (49%) of the respondents disagree with occasionally buying products from the favourite brand regardless of ethics (Statement 5c).

Moreover, 67% of the respondents have a general concern about the treatment of company's stakeholder (Statement 5e). Here is interesting to mention, that when separating shareholders from the stakeholder group, this concern reduced to only 22% (Statement 5f). This correlates with the findings of Statement 5m, that companies should pursue CSR activity, even if it reduces their profit.

In case of being aware of any questionable (Statement 5g) business practices or bad reputation in ethics (Statement 5j), 59-79% claimed to avoid or not buy from such brands, while 68% would proceed to avoidance because of the mistreatment of the staff and other stakeholders (Statement 5i). The even spreading of the answers to the Statement 5b supports the previous investigation on the determinative factors when purchasing, which means that the aspect of quality resonates with the customers more than the ethical one.

The investigation on respondents' acceptable "*price*" for companies' engagement in social responsibility (considering it could affect the product price) revealed that 8% more of the respondents are willing to pay for the cause of company's environmental efforts (Statement 5k) over the social ones (Statement 5l). Overall, customers want companies to care, communicate and they are willing to pay to some extent. Though, they believe in something, but they do not actually follow it in real life. That's why Lush should engage in more education.

The Question 6 opened up a section of the online survey focusing on investigating customers' relationship with Lush and their perspective on Lush's CSR activity. Within the sample of 46 respondents, 64% have a product experience with the company, 23% never bought any of the Lush products, but claimed to know the brand. 6 respondents (13%) never heard of the company.

Interestingly, when considering Rizkallah's (2012) proposed link between knowledge of relevant issues and purchase behaviour, the data provide a connection of knowledgeable respondents (Statement 5a) and customer-company relationship. For example, 70% of educated consumers (those who answered agree or strongly agree with the Statement 5a: "*I am aware of most of the social and environmental issues challenging our society.*") reported thinking about Lush favourably regarding their CSR activities. Also, 73% of educated consumers claimed to agree and strongly agree that they favour Lush because of sharing the same point of view on social and environmental responsibility. Furthermore, 70% of educated consumers reported to be, to some extent, Lush's customer (buying frequently, occasional or bought very few). This is a very strong connection between educated society, C-C identification, CSR and hence, potential increase of market share considering that these figures mostly reduce by a half when evaluating such relations with uneducated consumers. Tables displaying correlations between knowledgeable/un-knowledgeable consumers and their perception of Lush's CSR, their C-C identification and purchase behaviour can be found in Appendix 8.

Following up on the discussion of main outcomes of engaging in CSR in Chapter 1.3.1 (Bhattacharya, Korschun and Sen 2008; Du, Bhattacharya and Sen 2007; Klein and Dawar 2004; Rizkallah 2012; Sen 2006), investigation on CSR efforts and positive word-of-mouth among consumers resulted in 90% of all the respondents who answered they strongly agree and agree that they would recommend Lush to friends and family, were

actually knowledgeable consumers. Therefore, when it comes positive word-of-mouth marketing, aware people have significantly higher intention to make brand recommendations due to CSR practices.

Further, 48% of the respondents reported there is no Lush-share on their monthly spending on cosmetics, 9% responded they do not buy cosmetics at all. 43% from the sample can be, to some extent, considered as “*Lushies*”, id est as Lush’s customers (Question 7).

Regarding Lush’s reputation, 4 respondents in total think unfavourably about the company as they feel it is not doing enough in the context of social and environmental dimensions of CSR (Question 8). 30 respondents (67%) think positively about Lush’s social and environmental efforts and 11 stayed neutral. By extracting 5 respondents that previously stated not knowing anything about the company, we can conclude that there were 22% of the respondents (10 person out of the sample) potentially aware of some Lush’s unethical business practice or the positive outcomes of ethical activities were not efficiently communicated to them.

When the respondents were asked to give an explanation of the rankings on their perception of Lush, 79% of the key-words were reported in the positive manner, 11% referred to criticism and 10% stayed neutral (“*don’t know*”). The most common answers are displayed in the following table (Question 9). Despite a certain popularity of the cruelty-free factor, most of the positive references aimed towards environmental activity of the company. Most common explanation was showing the primary attraction of customers to recycled containers or “*naked*” products. Regarding the unfavourable thinking about Lush, common answers were referring to the higher price or absence of any world-wide accepted ethical certificates.

Regarding Lush’s recent CSR communication, over the half of the respondents (61%) had not notice any information about the social or environmental efforts at all 6 months prior to filling the online survey. If we exclude from this all the respondents who answered not knowing the brand at all, the residual 48% is still a quite high figure considering that almost same number of respondents were considered to be Lush’s customers. However, according to findings from Statement 12d, 62% stated that it is quite easy to search for any information regarding Lush’s CSR activity. Hence, majority of the customers know where to look, if they want to. It is just a question of company’s

approach. Either, it wants to offer a platform, where the information will be available, or it would rather pursue an approach more proactive one.

The main communication channels for Lush's CSR activities were reported as website, Facebook page, Instagram, information on the packaging and campaigns in the stores. From the perspective of personal interaction, 7 respondents learned some information about the company's effort verbally.

Question 13 was designed so the respondents could offer their personal point of view on the communication of CSR, specifically via which channels they would appreciate Lush communicating any of their CSR efforts. Despite the modern trends, in-store communication received most of the votes and Instagram was one vote behind. Website belonged among the most mentioned channels. Facebook stayed quite behind. 5 respondents find the communication not appropriate through any of the offered channels.

Discussion of the Findings

The main aim of this master's thesis was to critically evaluate the CSR strategy of Lush Cosmetics Limited (Lush) and explore the relationship between its CSR activities and competitiveness. Based on the theory that CSR strategy, if efficiently incorporated into strategical management, may result in an increased competitiveness or even competitive advantage. With the acknowledgement of the present differences in results caused by individuality of companies and also industries, the specified theory was established, meaning that a concrete cosmetic brand, if strategically engaging CSR efforts, may end up with improving its competitiveness. Lush Cosmetics Limited as a popular international fresh homemade cosmetic retailer was chosen as a subject to be analysed for its emphasis on the ethical and responsible modern business.

Based on the infamous concept of competitiveness and comprehensive overview of the historical and conceptual development of CSR, along with the linkage between both positioning strategy and CSR, Author defined a unique CSR definition specifically for the purpose of the analysis:

CSR is a set of corporations' voluntary efforts beyond their economic and legal responsibilities that encompasses the social and environmental expectations of society at a given point in time, especially the expectations of stakeholders.

Additionally, this enlightened self-interest of business can be used as an instrument to manage business power, to maximize a short-term profit, to increase its long-term competitiveness and to turn an ethical problem into economic opportunity.

The given definition was constructed based on some of the most significant contributions to the CSR of past 6 decades (Carroll 1979; Carroll 1991; Carroll 1991; Carroll 2015; Davis 1967; Davis 1973; Drucker 1984; Garriga and Melé 2004; Jones 1980; Johnson 1971; Morrison and Bridwell 2011; Steiner 1971).

The investigated theory set above, covers a various area of CSR and competitive strategies. The economic, social and environmental responsibility of the corporation were selected as the main dimensions of CSR. Yielding from the discussion on the controversy of philanthropy and its possible ability to improve company's reputation, this particular segment was also incorporated into the analysis.

According to the concept of economic responsibility, organization serves as an instrument for wealth-creation and the engagement in social and environmental issues cannot be accepted if not resulting in economic benefits. Lush's performance analysis included the LFL sales growth indicator, Group operating profit, overview of funding initiatives and dividend system. LFL of 14% indicates sufficient financial condition for company with globalisation and expansion tendencies. Within the horizontal analysis, the indicator showed signs of a slight decrease in comparison to the previous years. The operating profit of the Group is continuously growing every year with the correlation to the political and social changes in the business environment of the host-countries. The company observed a significant reduction of losses in unprofitable markets. Balancing out the fluctuation of the individual operational profits in specific countries, the overall Group operating profit improved by 45.3% in 2017.

The funding overview resulted in identifying the sum of almost €15 million in charitable donations given in the year of 2017. The number includes also fund-raising initiatives from letting customers contribute by purchasing specific charity product. Within the dividend system, Lush's shareholders received the total slightly over €6 million. There were no signs of linking any exceptional losses that could be connected directly or indirectly to the CSR activity of the company in a neither positive nor negative way. Based on the introductory organisational performance analysis, it can be concluded that Lush is a financial healthy company with the shareholder management above standard that applies reasonable precaution to remain profitable in the first place.

Regarding the company's transparency with all the stakeholders and business ethics at the corporation level, Lush has a united approach to treat, manage, respect and keep informed every single stakeholder or institution while keeping its standard way beyond any legal legislation around the world. The unified and strict concept starts with a farmer and ends with a supplier of renewable energy for company's software.

As it has been proven in the content analysis and online survey, Lush employees are being recognized as an important contributor and driver of company's success not only in the context of operational performance but also CSR strategic management and communication. Number of activities the company engaged in were selected by the staff. Simultaneously, they were the most heard communication channel investigated. Along with initiatives as a generous compensation policy, numerous employee benefits,

transparent communication and education, whistle-blowing policy, anti-discrimination policy, Lush has been pro-active in supporting its staff regarding the political climate (Brexit etc.) or any other inauspicious life developments. According to the findings of content analysis and online survey, the company has been awarded by lowering the internal costs of accidents and a strong employee loyalty and advocacy, connected with forging the positive reputation and word-of-mouth marketing, which attracts wide range of customers.

The content analysis implemented in the framework of value chain and its social impacts provided a comprehensive overview of numerous CSR campaigns, policies, initiatives and activities throughout the corporation. Starting with the inbound logistics level, Lush stands out from the crowd with an incomparable ethical sourcing policy. Company represents a very responsive to the modern issues company and is capable of flexible adjustment or improvements where the failure either of competition or itself highlights the opportunity. Most recently, the modern slavery and child labour has been enriching the public discussion towards some of the biggest cosmetic brands, which Lush successfully incorporated into its strategy. Some of the answer in the online survey discussed later on, proved this implementation as a successful, regarding the efficiency of communication and positive influence of the company's reputation.

Globalisation and rapid expansion affect the sourcing and manufacturing on in many aspects. Further, the exchange rate risk has been identified as another challenge for the business with a wide network of raw material suppliers from multiple countries. Lush is doing a great job in directly communicating with every subject of the supply chain, ensuring that the level of sustainability and ethics is maximized.

Especially within the manufacturing, outbound logistics and related operations, Lush is committed to equally dispersing the environmental impacts and labour demand over all of its facilities and continuous strategical shifting or relocating to ensure sustainability, efficiency and sufficiently saturated demands on all 49 foreign markets. Regarding the product transport or even the travel of HR, Lush is paying a voluntary carbon tax to offset the impact of emissions created on behalf of business. Not only broader circle of company's stakeholders, but also a majority of the online survey sample confirmed the public perception of Lush as the prior environmental activist. The individual environmental activities the company engages in were numerous times given

as the reason why customers think favourably about the company or continue supporting the brand by their purchases. However, thinking favourably about the company or positive CSR reputation was not proven to be enough of a driver in the consumers' purchase-behaviour as will be explained below.

Putting this into marketing perspective, the whole package of image, social commitments and fresh quality strongly correlates with the currently targeted segment of the market, either it is defined as the generations Y and Z or teenagers and young adult women specifically. The company is always improving and working on delivering the best products for their customers. The possibility of never-ending innovation of the products and services is to a great advantage of any cosmetic business. Supported by the findings of the online survey, Lush is being awarded for this with positive word-of-mouth marketing. The main issues in the cosmetics industry of false advertising or misleading information were discussed as they corrupt the trust-worthiness of CSR communication and eventually the CSR ability to enhance competitiveness. The lack of regulation globally as well as specifically in EU and number of negative case studies were identified as the main causes of such an issue. Along with extending Lush's corporate transparency approach, the cruelty-free certification aspect was named. In general, the misleading cruelty-free labelling is a factor influencing a purchase behaviour of concerned customers and brand attractiveness.

Certifications as LP, PETA or HCS are widely considered as the affirmation that a company truly does not harm animals by any of the business activities. Despite the reality, based on the content analysis, that Lush is possibly the most precautionary company in this matter, unquestionable segment of knowledgeable society (including the online survey sample) is not well informed about the comprehensiveness and extension of cruelty-free policy (and animal testing activism) Lush pursues, as the analysis explored often negative CSR evaluation by the consumer regarding the absence of such certifications. However, the reason behind the absence seems to be in the certification requirements not being affirming enough to the standard of Lush's management. This is the case of ineffective communication, where the opportunity of the company has been turned to its disadvantage and causes harm reputation and transaction wise. Additionally, a more complex involvement of the company into educating society on the issue could serve as a prevention as it has been proven before.

Lush lengthened the reach of its CSR strategy to the IT department as well. Building its own payment system and open-sourcing it (possibly causing a 20% increase in revenues since the introduction) while powering from the renewable energy sources, delivering own mobile app or designing a naked store with the LushLab interface, the company pursues the seek change of the standards in the industry, in which packaging costs customer more than the product. At the same time as quitting on social media might cause a reduction in effective communication with the audience, it also has the potential of creating a great opportunity for the company considering its launched of own application as a possibly new, more direct communication channel as the smart phones become a prior connection of the user with the retailer. It is debatable if these kinds of digital solution will have mostly a positive impact on the organisational performance, considering results of communication segment of the online survey, where personal communication was identified as the main and most desired communication channels of CSR.

Additionally, to all the CSR policies, Lush stands out with its activism in vocalising and overall spreading the awareness of either social or environmental issues they fight with its policy. In most of the cases, this serves exceptionally well as a commutation instrument, however, few of the activities have not been well accepted by public. This caused Lush some losses regarding the positive reflect of the project as well as it negatively affected public opinion on the brand. The company's stance against many issues challenging the society and environment have the overall potential of positively effecting the purchase behaviour as well as the market share of the company as the acknowledgement of business ethical efforts were explored as an important aspect in purchase decision-making for the majority of the respondents.

With that being said, the results supported consumer social responsibility theory, as the quality and price of the cosmetics product was found to be a determinative factor influencing customers' purchasing behaviour. The CSR factors (natural, cruelty-free, friendly to environment, socially responsible etc.) however, followed quite back behind, despite the consumer belief, the corporations should engage in CSR even if it causes a reduction in the profit.

Significant contribution of the research lies in the finding of connection between knowledge of the modern issues and the purchase behaviour. Not only, that more educated

(aware) customers are willing to pay more for the “*good cause*”, they also let their values to affect their brand loyalty, willingness to spread positive word-of-mouth and stay loyal to the company. At the same time, those aware customers are also more ethically sensitive and are quickly approaching a public criticism in case of inappropriately communicated CSR activity.

Limitations and Recommendation for Future Research

The findings of this master’s thesis research have some limitations regarding the sampling method of the online survey. A good portion of the surveys was shared with social media users located in specifically oriented groups, which could yield into bias findings, as uncertain part of the respondents might have been more interested in cosmetics, business ethics or animal testing than the average person. Furthermore, the size of the sample resulting in 46 accountable filled out forms cannot be surely used as source for generalisation of the findings, even if still providing a good variety of demographics. Hence, further studies should focus on targeting a bigger audience and incorporate greater number of respondents from different age categories, income segments, nationalities or more equally dispersed gender representatives.

Regarding the content approach within the analysis, there is a problematic possibility some of the results of information interpreted might be biased. Additionally, before the analysis was performed a preparational research was conducted in order to find out what company and industry would suit well to the desired object of the main research. It was interest to find out, how great the percentage of companies that do not engage in or at least do not communicate its CSR efforts. It was expressed previously that this might say something about the limited use of CSR communication on the global market and should therefore be investigated in future research. If there will be additional future research investigating on this, it could possibly prove the assumption, that there is still a true lack of CSR communication.

Conclusion

Prior to the research, the theory that engaging in CSR can result in an increased of competitiveness was set. Yielding from the complex theoretical review the CSR was perceived as a set of corporations' voluntary efforts beyond their economic and legal responsibilities that encompasses the social and environmental expectations of society at a given point in time, especially the expectations of stakeholders. Additionally, this enlightened self-interest of business can be used as an instrument to manage business power, to maximize a short-term profit, to increase its long-term competitiveness and to turn an ethical problem into economic opportunity.

The main investigated theory proposing that appropriately constructed, efficiently managed and well communicated CSR strategy may result in an increased competitiveness or even competitive advantage was set into the concrete business case. With the acknowledgement of the result differences yielding from CSR due to the individuality of companies and also industries, the specified theory was established. Hence, Author critically evaluated a CSR strategy of Lush Cosmetics Ltd in regard to the CSR as a factor of competitiveness.

The research of this master's thesis resulted in contradicting to many studies that promotes CSR concept concretely as a driver of consumer purchase-behaviour. Even though, the ethical practises of business are widely discussed and attractive to the buyer, factors as price, quality and often combination of the quality relative to the price were found to be the key motivator for purchase. The final findings however supported some of the claims, that positive reputation, brand loyalty and positive word-of-mouth marketing are the main beneficial result of engaging in CSR, which have been indirectly linked to an increase of competitiveness. Additionally, CSR was identified as an element enforcing the C-C identification, which is to a benefit for the company, however, such a result must be nourished by loud and continuous education of the general and close public. Means, that the positive effect of CSR can be significantly reduced or even halved when communicated to the uneducated consumers over the educated one. Considering the subject of CSR, the exploration of the connection between consumer knowledge of social or environmental issues and purchasing is the unexpected contribution of this master's thesis to the literature of the concept.

To conclude the results yielding from the research investigating on CSR strategy of a concrete MNE as a factor of competitiveness, the CSR can be considered as a strategic instrument. Despite the CSR values not being the main motivator in the customer purchase behaviour, the engagement in social and environmental activities has a potential of forging positive reputation of the business, word-of-mouth marketing and C-C identification. This will only be a case of positively affected MNE competitiveness if the proper CSR activities are chosen, well communicated and the target segment of the market is appropriately knowledgeable on the issue.

The subject of CSR has been and will be re-energizing the debate of academics as more and more researchers will try to find new strategical tools to survive among globalised competition. Due to the boom of information and expansion of international markets, the corporations will be demanded to assume broader responsibilities to society. As long as the society or legislation remains unchanged, the only direct result of CSR engagement will be found in the broader context of positive relations with public. The pursuance of convenience and individual self-interest over ethical aspects connected to the product is the most powerful determinant of business behaviour, hence the subject of implementing CSR into corporate strategy must reflect the role of consumer.

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Abbreviation and Symbol List

CCS	Corporate Citizenship
C-C	Customer-Company (relationship)
CED	The Committee for Economic Development of The Conference Board
CSR	Corporate Social Responsibility
EEA	European Economic Area
EU	European Union
FDA	Food and Drug Administration
HCS	Humane Cosmetics Standard
HRM	Human Resource Management
IM	Issues Management
LGBTQ2+	Lesbian, Gay, Bisexual, Transgender, Transsexual, 2/Two-Spirit, Queer, Questioning, Intersex, Asexual, Ally and + Pansexual + Agender + Gender Queer + Bigender + Gender Variant + Pangender
MNE	Multinational Enterprise
P/S	Product and Service (demand)
PETA	People for Ethical Treatment of Animals
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals (EU)

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Appendices

Appendix 1: Introduction of The CSR Related Concepts

Business Ethics

Similarly to the all related CSR theories, BE roots in moral duty and obligation. But in contrast to CSR, BE does not elicit immediate objections from managers. According to Carroll, it is somehow neutral and logical at the same time: “*take care of the present, take care of the future*” (2015, p.92). The advantage of such an open concept lies in long-term perspective, focus on social and environmental factors, and the incorporated concerns for future generations. Nowadays, the BE is being interpreted in multiple ways. However, the efforts to be transparent about their strategic business ethics is what most of the MNEs have common (e.g. annual social reports, CSR reports, corporate citizenship reports, sustainability reports) (Carroll 2015, pp.92-93).

Corporate Citizenship

The first notion of the idea was presented by McGuire (1963, p.144) when stating that business should act justly as a proper citizen would do. The CCS term was introduced by practitioners in 1980s and into the academic debate later in 1990s (Garriga and Melé 2004, p.57; Matten, Chapple and Crane 2003, p.111). The concept always implies a sense of belonging to a community, however, researchers observed there were various meanings in the literature, while one being equivalent to CSR (Carroll 1999), second limited and other extended understanding of CCS (Matten, Chapple and Crane 2003, pp.112-115). No matter what the meaning is, the interpretations always share the focus on rights, consideration of the environment, strong sense of business responsibilities towards the local community and possible partnerships of business in society (Garriga and Melé 2004, p.57). Later literature extends the local responsibility as businesses are nowadays becoming a global actor – Global Corporate Citizenship (Wood and Lodgson, 2002; World Economic Forum 2002).

Corporate Constitutionalism

Davis (1960) was one of the first researcher to introduce the role of business economic power to the debate of social responsibilities of businessmen and what impacts this power may have. He viewed business as a social institution that should be involved in the society beyond the its economic and technical interest (Carroll 1999, p.271; Davis 1960, pp.70-72). Davis mentioned “*the iron law of responsibility*” as the main principle of how the business power needs to be managed (Davis 1967, p.48). “*Whoever does not use his social power responsibly will lose it. In the long run those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities*” (1960, p.63). The second principle - “*the social power equation*” – represents the idea that social responsibilities of businessmen arise from the amount of social power they have and rejects the assumption of total responsibility as well as the perfect competition ideology (with no responsibility to society at all). The social power itself is limited by the initiatives of constituency, who defines conditions for responsible use of the social power. They channel organizational power in a supportive way and to protect other interests against unreasonable organizational power. This theory became known as Corporate Constitutionalism (Davis 1967, p.68; Garriga and Melé 2004, p.56).

Issues management

Wartick and Rude identified IM as “*the processes by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon it*” (1986, p.124). IM focuses on minimizing the surprising effects of social and political development in the company’s surroundings. More international research on the topic led to identification, evaluation and classification of the related issues as well as the formalization of the stages of management of those issues (Brewer 1992; Garriga and Melé 2004, p.58).

Public Responsibility

Authors, who criticized the process orientation of social responsiveness and its insufficiency proposed *the principle of public responsibility* to avoid signs of personal morality and to narrow the scope of responsibilities (Jones 1980; Preston and Post 1975). According to Preston and Post, the public responsibility has two levels of managerial

involvement. Primary involvement consists of processes corresponding with the economic function of the corporate “*such as locating and establishing its facilities, procuring suppliers, engaging employees, carrying out its production functions and marketing products. It also includes legal requirements*” (p.57; Garriga and Melé 2004, pp.58-59). Consequences of the activities included in the primary level becomes the secondary managerial involvement. For example, in the case of selection and advancement of employees on the primary level, the career and earning opportunities for those employees comes in as a secondary managerial responsibility (Garriga and Melé 2004, p.59).

Social Responsiveness

The process of social responsiveness represents the chain of decisions made within the organisation as a response to the social issues (Sethi 1975). Ackerman identified “*the zone of discretion*” as the gap between the response the public expects and business’s actual performance (1973, p.92). Hence, Jones moved the focus of the social responsiveness from the process of conceptualization to the process of implementation (1980, pp.65-66). Based on some insufficiency observation, modern researchers proposed the approach of responsibility over the responsiveness (Jones 1980; Preston and Post 1975).

Sustainability

Sustainability finds its foundation in the environmental concerns and the key aspect is “*future*” (Carroll 2015, p.92). The theory developed from the concept of sustainable development in 1987 when Brundtland Commission famously stated: “*Development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (World Commission on Environment and Development 1987).

Appendix 2: Mapping the Social Impacts of Company’s Value Chain

Porter and Kramer depicted some common activities the company engages in while delivering product or service to the customers. The authors offered a framework that can

ease managers work when evaluating the corporation’s impact on the social and environmental surroundings. The following figure illustrates numerous “*intersections*” that ranges from hiring policies to greenhouse gas emissions. If managers could thoroughly investigate, prioritize, and address these (mostly operational) issues, proceeded to reduce or eliminate as many “*negative value-chain social impacts*” as they can, they would be rewarded, according to Porter and Kramer, with social and strategic distinction (Porter and Kramer 2006, p.83). The authors’ framework may serve as “*an inventory of problems and opportunities*” as well as a depicting tool in the process of investigating Lush’s business procedures impact on its environment and along with the content analyses of CSR activities the company has already engaged in.

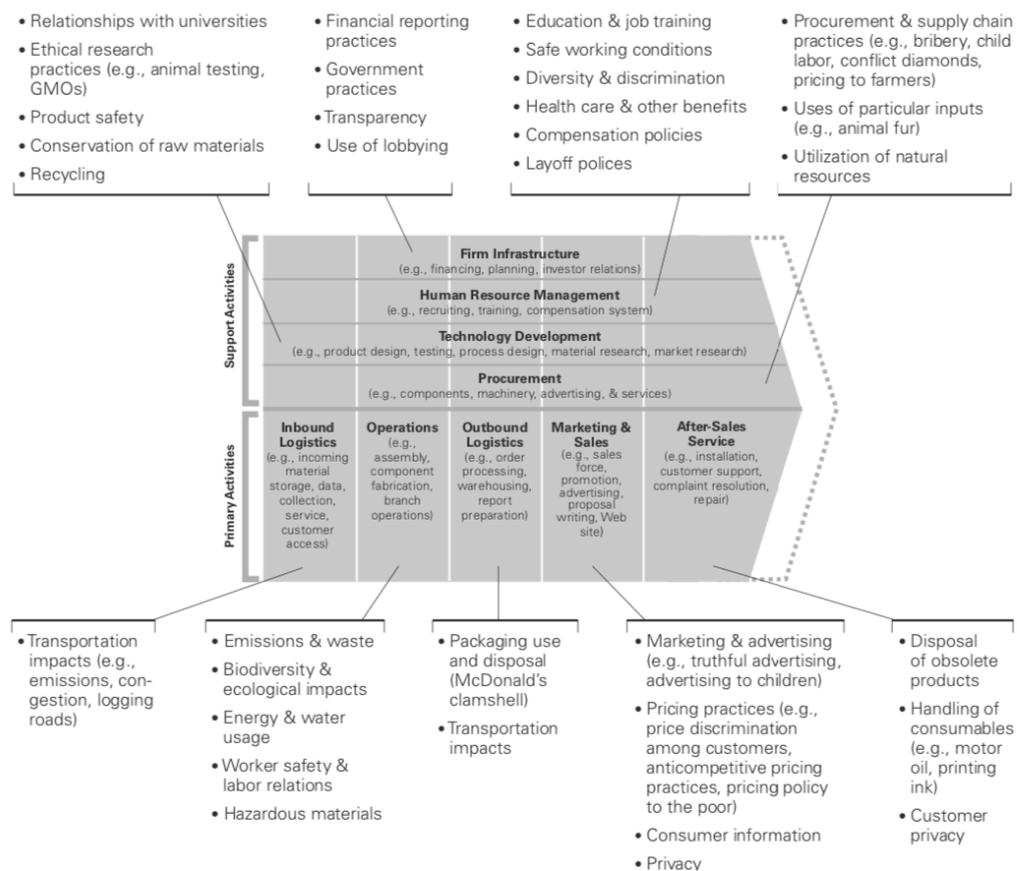


Figure 3: Looking inside out at social and environmental opportunities in value chain of the corporations (Porter and Kramer 2006, pp.82-83).

Appendix 3: Financial Statement

Lush Cosmetics Limited
Annual report and consolidated financial statements
Year ended 30 June 2017

Consolidated profit and loss account for the year ended 30 June 2017

	Note	2017 £000	2016 £000
Turnover (including share of joint ventures' and associates' turnover)		743,748	563,367
Less: share of joint ventures' turnover	2	(218,608)	(149,939)
share of associates' turnover	2	(27,352)	(18,481)
Group turnover	2	497,788	394,947
Cost of sales		(147,375)	(119,179)
Gross profit		350,413	275,768
Operating expenses		(327,718)	(260,147)
Group EBITDA		42,289	28,874
Group depreciation, amortisation and impairment	3	(19,594)	(13,253)
Group operating profit	3	22,695	15,621
Share of operating profit from joint ventures	2	48,750	26,726
Share of operating profit from associates	2	2,800	1,630
Net interest (payable) / receivable and similar items - Group	6	(557)	(590)
- Joint ventures	7	(170)	(184)
- Associates	7	(36)	19
Profit before taxation		73,482	43,222
Tax on profit - Group	8	(10,837)	(2,800)
- Joint ventures	8	(18,514)	(10,127)
- Associates	8	(506)	(260)
Profit for the financial year		43,625	30,035
Profit attributable to:			
- Owners of the parent		41,566	28,817
- Non-controlling interests	21	2,059	1,218
Profit for the financial year		43,625	30,035

All results relate to continuing activities.

Figure 4: Lush's profit and loss account at June 2017 (Lush Cosmetics 2017).

Appendix 4: Core Values of Lush

Following six values are company-wide commitments through which the company boosts position on the market, “*makes a difference in the world*” and attracts 94 million potential customers of similar values (Global Web Index 2019; Lush Fresh Handmade Cosmetics 2019).

Freshest Cosmetics

The company fights the decomposing and losing of vital nutrients from the fruit and vegetable by making fresh batches of the products and delivering the to the stores as soon as possible. According to the Lush, the sooner the fresh product gets to the customer, the better effects it has on the skin (Lush Fresh Handmade Cosmetics 2019).

100 % Vegetarian Product Line

80% out of 100% vegetarian are vegan-friendly, thus do not contains any animal products. “*For example, glycerine is typically derived from animal fat, but the glycerine you’ll find in our products is actually made from non-GMO rapeseed oil to give you the same luxurious feel from our products, while being completely cruelty-free*” (Lush Fresh Handmade Cosmetics 2019).

Ethics

The manufacturing, sourcing, product development, marketing, logistics, packaging, retail, even a digital software are all being managed in a regard of ethical philosophy the company promotes. The company representatives build relationships with the land, people and communities that harvest them. Ingredients are traced from planting to being sold within a product via global sustainable ecosystem the company works on (Lush Cosmetics Ltd 2017, p.4; Lush Fresh Handmade Cosmetics 2019).

Handmade

Every single unit of the product range has been made by a human touch. Compounders slice, dice and mix up fresh batches of product, while a team in our Vancouver, Canada wood- shop craft unique furniture and other pieces using reclaimed wood. Additionally, each product obtains a label with the name of the person compounding it. Moreover, some of the compounders gives interviews on the Lush’s

product blogs and social media. This adds more reliability on the claim, gives every product a face and a story (Lush Fresh Handmade Cosmetics 2019; Tyrrell 2019).

Naked

In order to avoid a material waste of one-time use packages, the company sales a various selection of naked (or unpackaged) goods including bath bombs, bubble bars, reusable knot-wraps, shower gels, body lotion and more (Lush Fresh Handmade Cosmetics 2019). Along with the sustainability philosophy, the company introduced a Black Pot Program, within which the customer gets cosmetics product free in the exchange for empty plastic packages of the previous purchase (Loeb 2017).

Fighting Animal Testing

Since supplying for The Body Shop until now, the Lush Cosmetics is strongly against product testing on animals. They choose ingredients from companies that don't commission animal testing. During the product developing processes, the tests are being conducted on human volunteers. *"In 2012, we introduced the Lush Prize to take the fight further—the prize awards researchers, scientists and lobbyists with a £250,000 prize fund to continue their work developing and supporting new animal-free initiatives."* (Lush Fresh Handmade Cosmetics 2019).

Appendix 5: Eliminating Sourcing of Mica Mineral Over Child

Labour Fear

The mineral mica was mostly used as a main ingredient in many cosmetics and other beauty products in a very recent past. 25% of mica in the cosmetics industry is generally sourced from India (Paddison and Bengtsen 2016). The official figures circles around 15,000 tonnes of crude and scrap mica a year, which is a statement retrieved from the government's Bureau of Mines. *"Yet it exported more than 130,000 tonnes - more than eight times the official production figure"* in 2011-2012 (Whyte and Doherty 2014). According to the private investigations, in specific areas of India the children (age ranges from 10 years old) *„are hammering flakes of rock off the mountainside. Others, mostly young girls, carry baskets of rocks to the top of the mine to sort through their contents.*

Their job is to separate glittering fragments from the rock debris.“ (Paddison and Bengtson 2016; Whyte and Doherty 2014). Global companies were claimed to be sourcing their mica from India, the L’Oréal, Estée Lauder, Merck and Lush included (Paddison and Bengtson 2016).

According to the Guardian reporters, child labour remains prevalent in mica mining in states of Jharkhand and Bihar and almost 20,000 children were estimated to work in the mines. That was more than a decade after cosmetics suppliers were alerted about the issue of child labour in mica mining industry (Paddison and Bengtson 2016).

L’Oreal’s mica supplier in India, Merck, has hired a third party- Merck, who has been employing human resource consultants Environmental Resource Management to carry out monthly assessments of its mines since 2007. Estée-Lauder has also been involved with third party responsible for ethical sourcing in cosmetics industry - the National Resources Stewardship Circle who should find a resolution to problems in the company’s supply chain (Nesbitt 2014).

In 2014, Rowena Bird (co-founder of Lush) gave a following statement:

“I became aware of this issue a few years ago, which is why we require our suppliers to issue a certificate declaring that its mica production is free of forced labour of all kinds. Of course, such declarations are based on trust, but now that this issue has been raised again, we will discontinue the use of mica in our products.” (Nesbitt 2014).

However, Bird then followed with identifying the issue of wilful ignorance in the supply chains of many western industries. *“The beauty industry turns a blind eye to lots of things, but it’s not the only one using mica,” she says. “It’s also used in paint, mobile phones and has many industrial uses. It’s also sourced in other places with similar supply chain issues such as China and Africa. The point is, however, that once you’re aware of these things, it’s up to you to do something about it.”* (Nesbitt 2014).

The Lush co-founder Mark Constantine explained the usual procedures consisted of requested spot checks on their suppliers and their local practices. However, then he followed, that the areas in which mica is mined are often dangerous for visitors to arrive unaccompanied. Hence, Lush could not fully guarantee that child labour is not used on the sites that supply the mineral to the store. Similarly to L’Oreal’s and Estée-Lauder’s

approaches, Lush's management firstly believed that the assurances by audit would be sufficient, but in 2014 the sourcing policy was reconsidered in the light of the ethical sourcing issues (Annex 1 - Setting the Standard for the Care of People in Our Supply Chains 2019; Fearn and Nesbitt 2014; Lush Fresh Handmade Cosmetics UK 2019d).

"It made us all run around and ask, what are we going to do then? Why are we using it? We have been moving across to synthetic mica on things like the bath bombs. Really, we would like to be able to get a mica that was mined correctly. At some stage, the whole industry should take responsibility for that." (Fearn and Nesbitt 2014).

Appendix 6: Lush's Statement on Marketing Financing

In the annual report from 2017 the director states: *"We also believe that our industry is changing. The sales of the large cosmetic companies are traditionally supported by TV and Magazine advertising. As the reach of these media are reducing, so the sales in their markets are stagnating, and as the power of the internet bloggers and social media has grown, so have our sales."* (Lush Cosmetics Ltd 2017, p.2).

In a podcast for Filtered Media, the brand communication manager Natasha Ritz supported the vision: *"We don't advertise above or below the line,"* Ritz said. *"We don't spend money on TV campaigns, on celebrity endorsements. We don't promote social media posts. So everything we do is organic. Every Facebook post is organic. We have no budget to push behind it."* Ritz continues: *"...we invest in things that are more important, like our ingredients and our supply chain and where we source things from. And our people."* (Filtered Media 2018).

Appendix 7: Supporting Case studies

Johnson & Johnson Case Study

Leading companies have learned that eliminating or even "just" reducing the employee health care costs yields in poor health of the staff which can cost the employers

more than the health benefits in the first place (by losing working days or diminished productivity of the human capital). This was supported by the example of Johnson & Johnson who saved \$250 million on health care costs, a return of \$2.71 for every dollar spent on wellness from 2002 to 2008. This economic improvement was recorded after company's CSR initiative to help their employees stop smoking (a two-thirds reduction in 15 years) and implementation of wellness programs. Further, Johnson & Johnson observed an increase of employee productivity (Porter and Kramer 2011, pp.67-68).

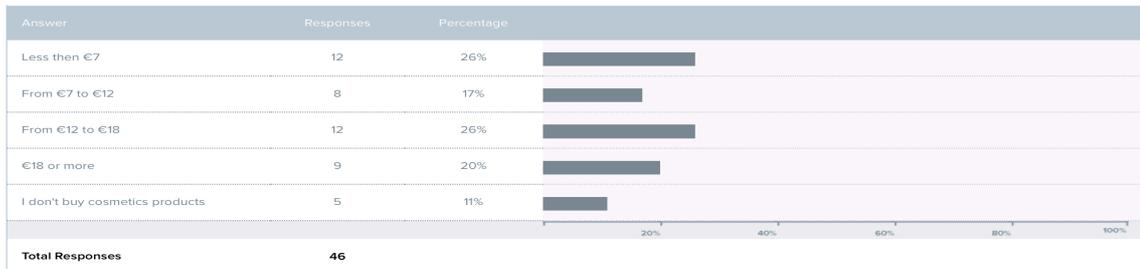
Walmart and Nestlé Location Strategies

Porter and Kramer elaborated on the “*myth*” that locations of the stores, manufactories, warehouses etc. do not matter, thanks to the fact that logistics are inexpensive, information flows rapidly, and markets are global. “*The cheaper the location, then, the better*”. However, not only regarding the linkage between CSR and competitive advantage this may no longer be truth. With the example of the global retailer Wal-Mart and Nestlé, Porter and Kramer supported the relocation of company's main value chain points leads to numerous economic benefits for the corporations. The Wal-Mart switched its sourcing produce for its food sections from distant exporters to local farms near its warehouses instead. This eventually made the company to discover that the savings on transportation costs and the ability to restock in smaller quantities more than offset the lower prices of industrial farms farther away. Similarly, Nestlé has established a number of smaller plants closer to its key markets, hence has stepped up its efforts yielding in the maximization of the use of locally available materials (Porter and Kramer 2011, p.6).

Appendix 8: Online Survey

The following attachments includes results of all the individual online survey questions as well as discussed correlation tables.

Appendix 8.1: Answers of the Questions



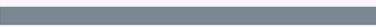
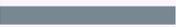
Question 1: How much do you monthly spend on cosmetics?

# of mentions	Brand	Reason of preference
10	Lush	Personal preference, nice scents, cool look, natural, ethical and cruelty free products, recycling, great previous experience, sustainable produce
6	Urtekram	HCS certificate, Leaping Bunny certificate, vegan products
4	The Body Shop	Scents, HCS certificate, sustainable produce
4	Urban Decay	Good quality, variety, highly pigmented

Question 2: What are the three favourite cosmetics brands you buy and why?

Weighted rank	Answer
1.	Quality of the products
2.	Price
3.	Natural or Organic ingredients
4.	Cruelty-free (not tested on animals)
5.	Company's practices - Environmental efforts (pollution, water waste, recycling, etc.)
6.	Company's practices - Social efforts (human right, women rights, diversity, paying real living wage, etc.)
7.	Look of the product, packaging
8.	Brand reputation, Image or Product uniqueness
9.	Fair-trade (fair trading conditions for all parties)
10.	Extra attributes (discounts, loyalty card benefits, free samples, etc.)
11.	Recommendation by a close person of mine
12.	Customer service
13.	Recommendation by an influencer, expert

Question 3: Regarding the cosmetic products, rank all the attributes below from 1-13 (while 1 - meaning the most important factor for you; and 13 - the least important factor) according to how it affects your decision to purchase said products.

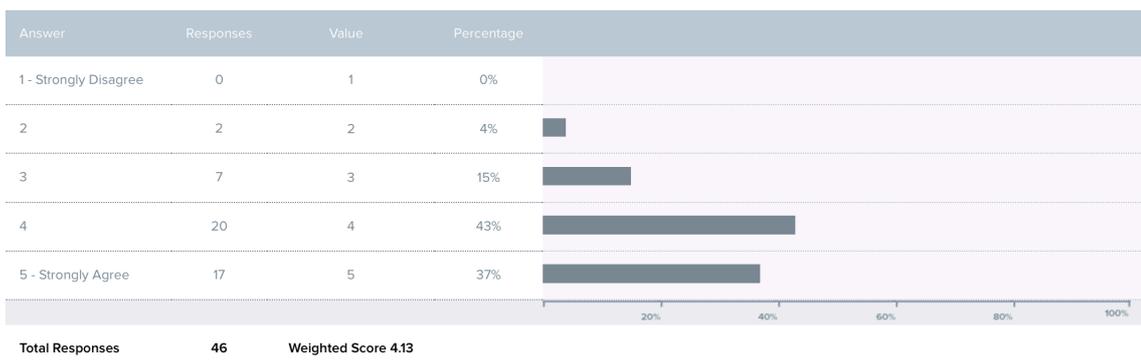
Answer	Responses	Percentage	
As often as it is possible. Customers should be informed continuously.	30	65%	
Few times a year, so the customers are aware.	14	30%	
Minimal number of releases (annual reports or website).	2	4%	
Companies should not publicize such a thing.	0	0%	
Total Responses	46		

Question 4: How often should companies communicate their efforts towards cleaner environment and equal society to the public?

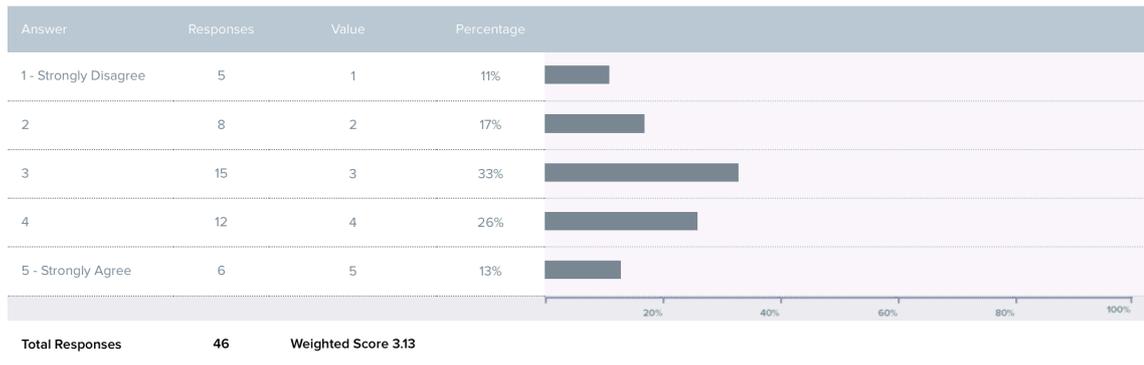
<i>Statement sign</i>	<i>Statement</i>	<i>Agreement (%)</i>	<i>Disagreement (%)</i>	<i>Neutral (%)</i>
5a	I am aware of most of the social and environmental issues challenging our society.	80	4	15
5b	The moral values of a company are more important to me than the quality of their products.	39	28	33
5c	Occasionally, I would go with my favourite cosmetics brand regardless of ethics.	34	49	17
5d	I actively seek out products from companies that do not develop/make their products while affecting animals.	76	17	7
5e	I do care how companies treat their employees, partners, suppliers, customers, and other stakeholders.	67	13	20
5f	I do care how companies treat their shareholders.	22	58	20
5g	I do not purchase from companies with questionable business practices.	59	15	26
5h	I avoid purchasing from companies that are known to harm the environment.	82	14	4
5i	I avoid purchasing from the companies that are known for mistreating their employees or other stakeholders.	68	15	17

5j	I avoid stores/brands with a bad reputation in ethics.	79	6	15
5k	I am more inclined to purchase environmentally-friendly cosmetics products even if they are more expensive.	69	11	20
5l	I am more inclined to purchase socially-responsible cosmetics products even if they are more expensive (including philanthropy, paying "real" living wages, paying fair value of the raw materials to producers, etc.).	61	15	24
5m	Companies should make efforts for a cleaner environment and more equal society even if it reduces their profits.	85	4	11
5n	I am aware of my favourite cosmetics brand's social and environmental efforts.	58	25	17

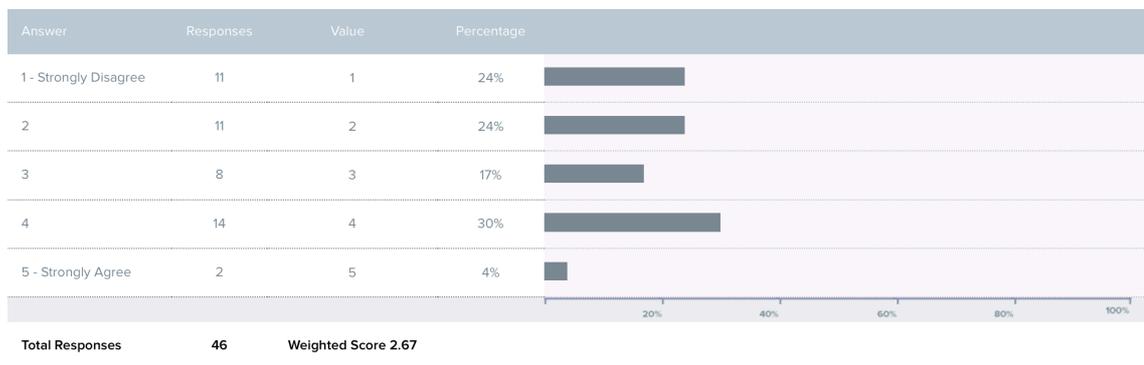
Question 5: Please rate the following statements from 1 (Strongly Disagree) to 5 (Strongly Agree).



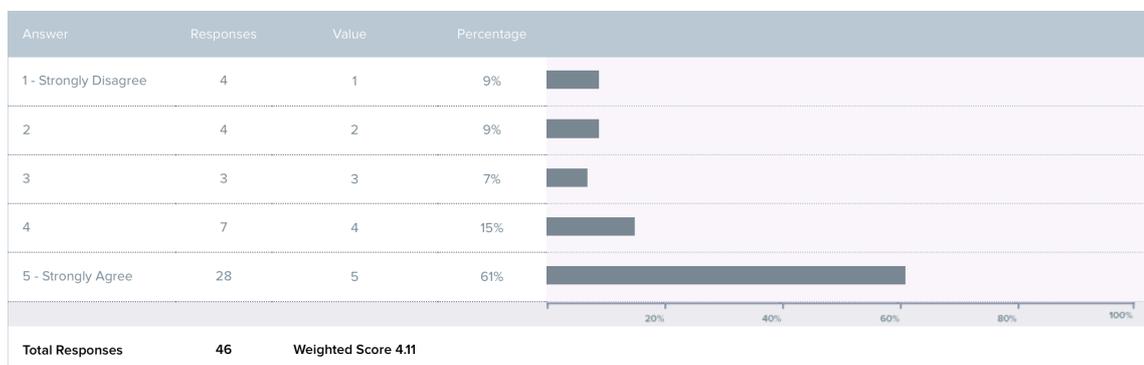
Question 5 a: I am aware of most of the social and environmental issues challenging our society.



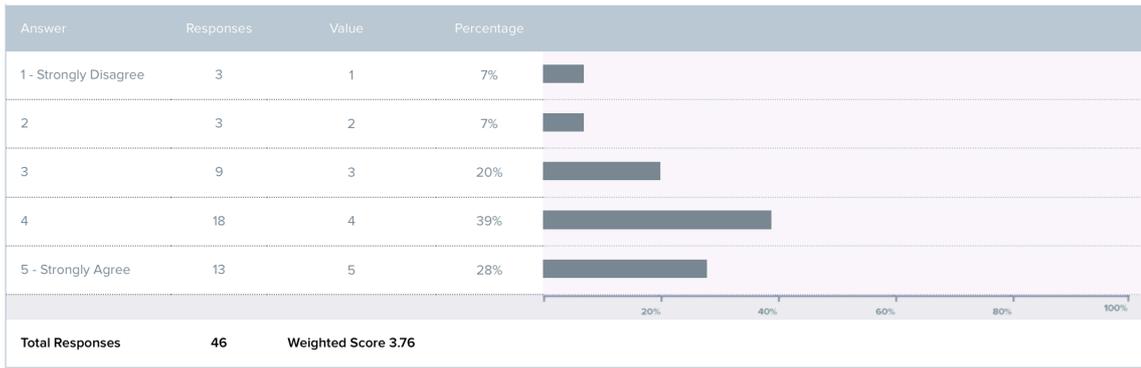
Question 5 b: The moral values of a company are more important to me than the quality of their products.



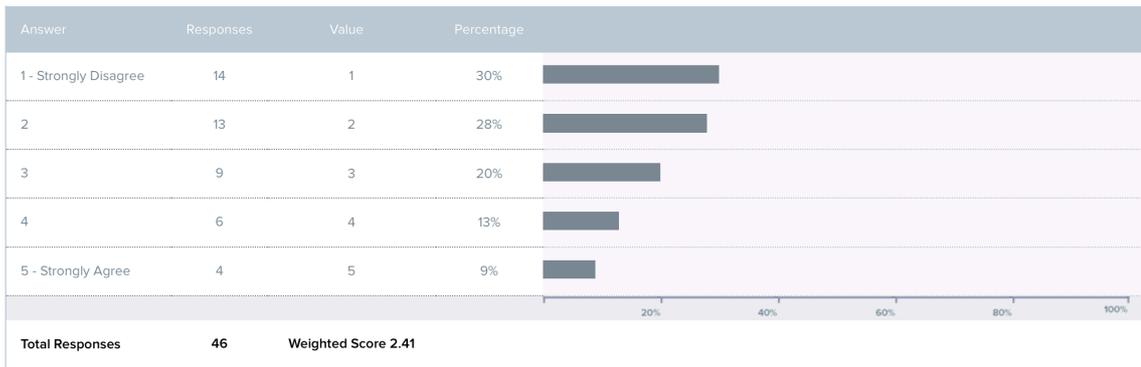
Question 5 c: Occasionally, I would go with my favourite cosmetics brand regardless of ethics.



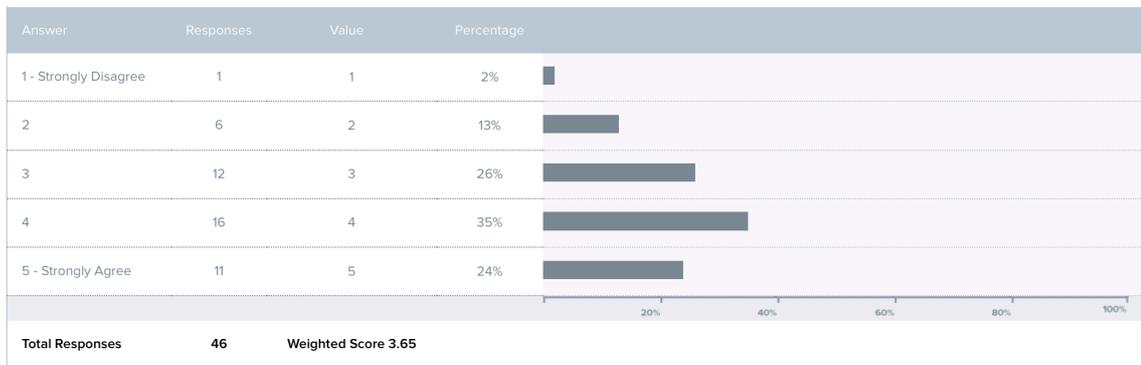
Question 5 d: I actively seek out products from companies that do not develop/make their products while affecting animals.



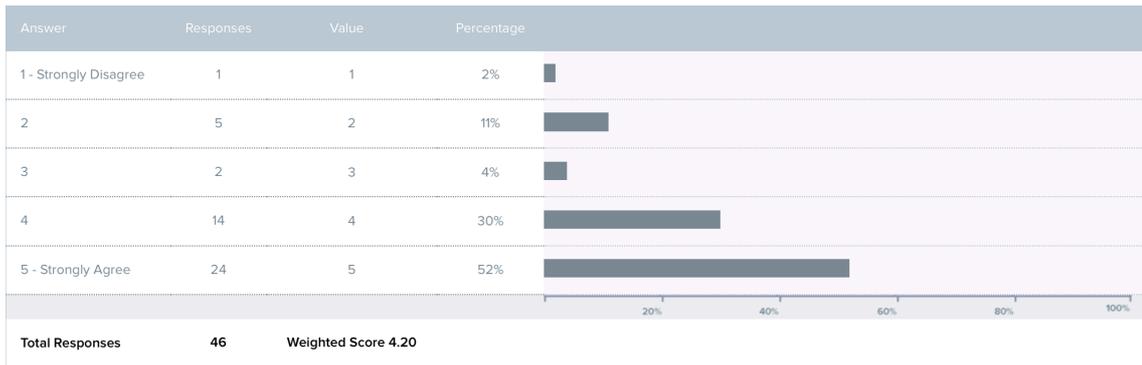
Question 5 e: I do care how companies treat their employees, partners, suppliers, customers, and other stakeholders.



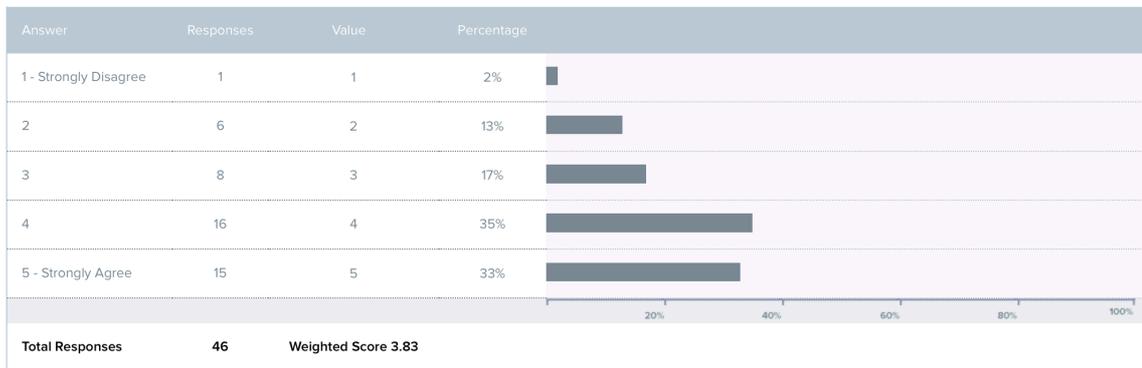
Question 5 f: I do care how companies treat their shareholders.



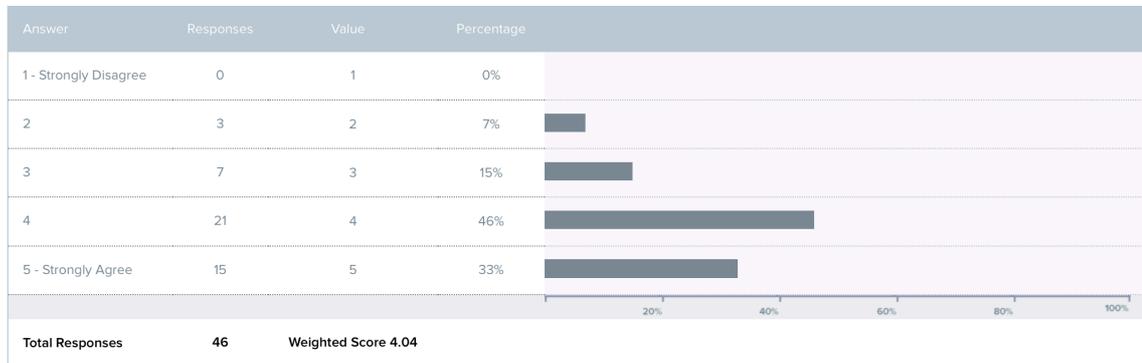
Question 5 g: I do not purchase from companies with questionable business practices.



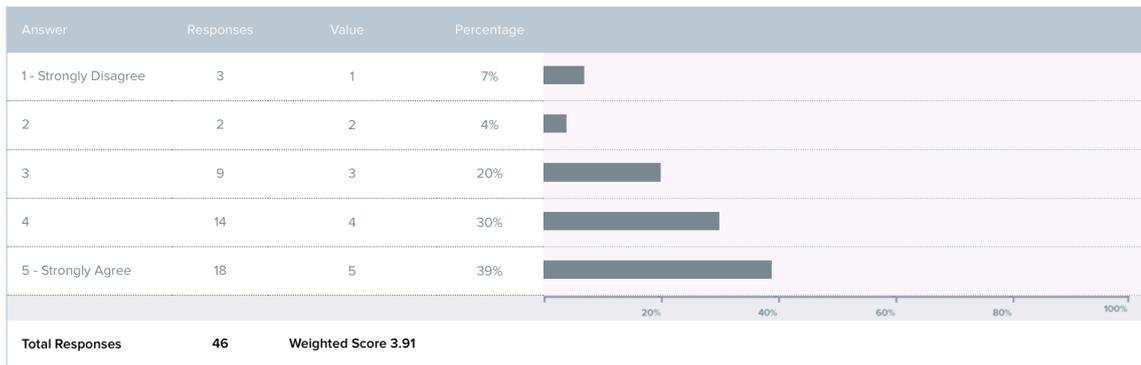
Question 5 h: I avoid purchasing from companies that are known to harm the environment.



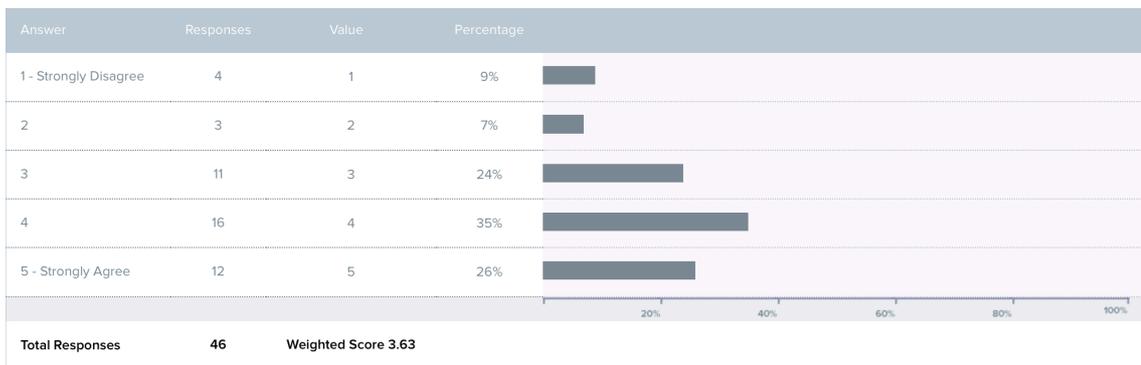
Question 5 i: I avoid purchasing from the companies that are known for mistreating their employees or other stakeholders.



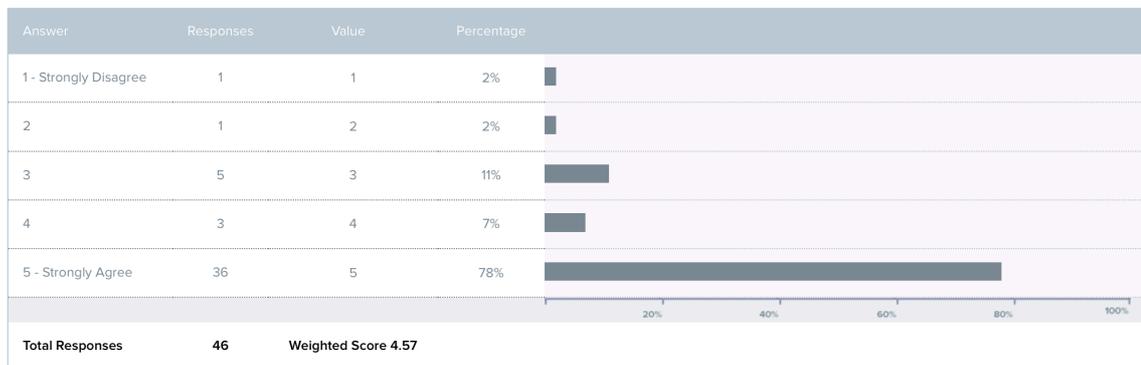
Question 5 j: I avoid stores/brands with a bad reputation in ethics.



Question 5 k: I am more inclined to purchase environmentally-friendly cosmetics products even if they are more expensive.



Question 5 l: I am more inclined to purchase socially-responsible cosmetics products even if they are more expensive (including philanthropy, paying "real" living wages, paying fair value of the raw materials to producers, etc.).



Question 5 m: Companies should make efforts for a cleaner environment and more equal society even if it reduces their profits.

Answer	Responses	Value	Percentage	
1 - Strongly Disagree	5	1	11%	
2	6	2	13%	
3	8	3	17%	
4	19	4	41%	
5 - Strongly Agree	8	5	17%	
Total Responses	46	Weighted Score 3.41		

Question 5 n: I am aware of my favourite cosmetics brand's social and environmental efforts.

Answer	Responses	Percentage	
Yes, I am a frequent customer (at least 4 purchases per year)	10	21%	
Yes, I buy occasionally	7	15%	
Yes, I bought very few things	13	28%	
No, but I have heard about the company	11	23%	
No, never heard of it	6	13%	
Total Responses	47		

Question 6: Have you ever bought a product or products from Lush Cosmetics?

Answer	Responses	Percentage	
None	22	48%	
1% - 10%	9	20%	
10% - 30%	5	11%	
30% - 50%	2	4%	
50% - 80%	2	4%	
80% or more	2	4%	
I don't buy cosmetics products at all	4	9%	
Total Responses	46		

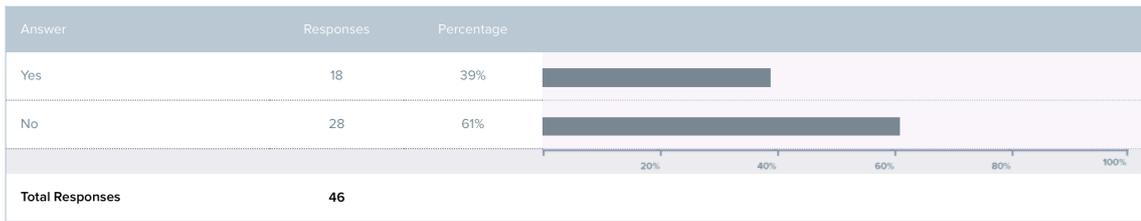
Question 7: How many % of your monthly expenditure on cosmetics is represented by shopping at Lush?

Answer	Responses	Value	Percentage	
1 - Unfavorably (the company is not doing much)	2	1	4%	
2	2	2	4%	
3 - Neutral	11	3	24%	
4	22	4	49%	
5 - Favorably (the company is making effort above the standard)	8	5	18%	
Total Responses	45	Weighted Score 3.71		

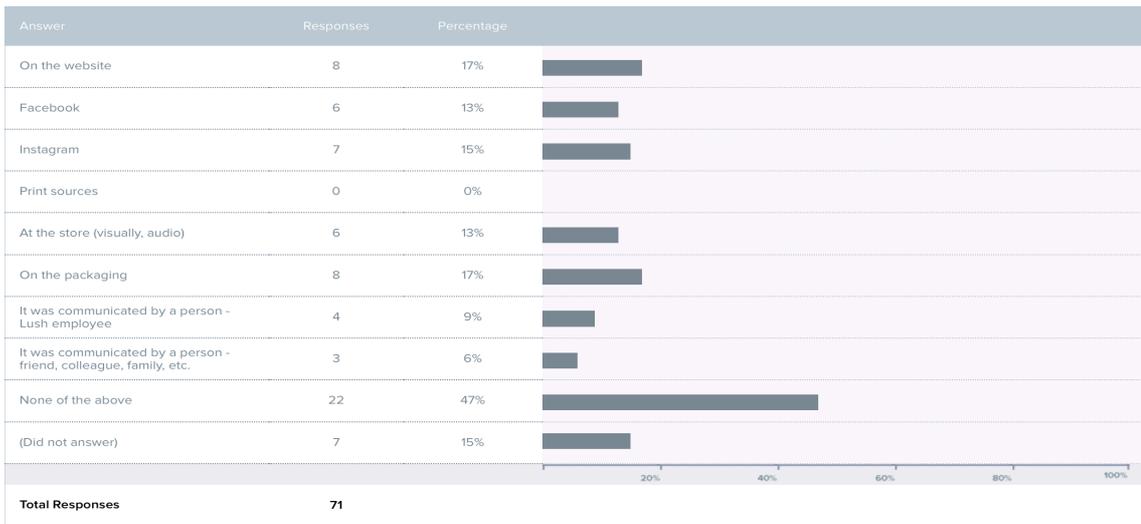
Question 8: How favourably do you think of Lush Cosmetics considering their social and environmental efforts?

<i>Polarity</i>	<i>CSR dimension</i>	<i>Key-words used</i>	<i># of references</i>
<i>Positive</i>	Environmental responsibility	Reusable or no packaging, plastic-free	11
		Non-preserved, non-toxic, simple, hand-made, natural ingredients and materials	10
	Social responsibility	Customer service and experience, caring staff	5
		Cruelty-free, vegan brand	7
		Ethical supply chain policy, fair trade, no child labour	5
<i>Negative</i>	Social responsibility	Absence of widely accepted certificates (LP, HCS)	3

Question 9: Please explain your rating. Write down any specific efforts you are aware of and how you became aware of them.



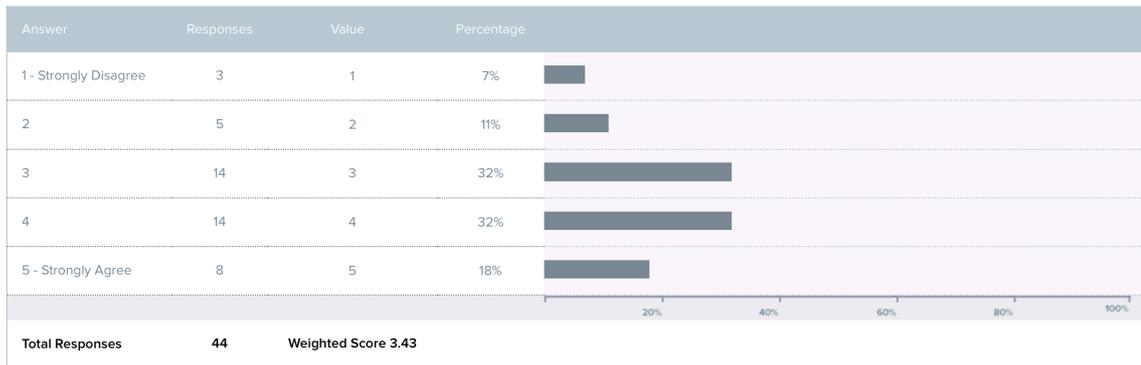
Question 10: Have you witnessed Lush communicating their environmental or social efforts in the past 6 months?



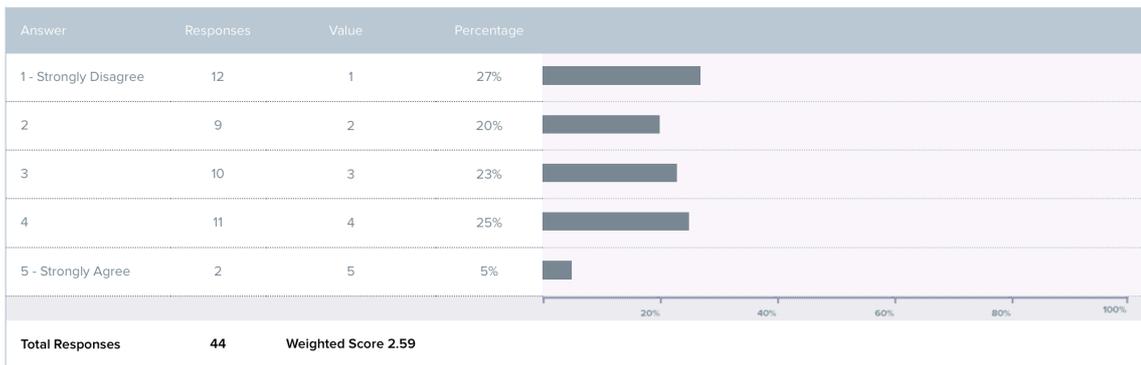
Question 11: Where was it?

<i>Statement sign</i>	<i>Statement</i>	<i>Agreement (%)</i>	<i>Disagreement (%)</i>	<i>Neutral (%)</i>
<i>12a</i>	Lush is a brand I know to be trustworthy.	50	18	32
<i>12b</i>	I am aware of Lush's business practices (how they treat customers, employees, partners, etc.).	30	47	23
<i>12c</i>	I would/did switch to Lush because of finding out about their ethical approach towards environment and society.	45	25	30
<i>12d</i>	I find it easy to search information about Lush's social and environmental efforts.	62	8	30
<i>12e</i>	I go through Lush's product range before I look for other brand's versions.	25	61	14
<i>12f</i>	When given the choice between specific Lush product and identical version from a different brand, I would choose Lush.	37	29	34
<i>12g</i>	I would recommend Lush to my friends or family.	48	22	30
<i>12h</i>	If Lush's version of a product is not available, I will not purchase another brand.	10	74	16
<i>12i</i>	Regarding environmental and social responsibility, I favour Lush because we share similar point of view.	38	26	36
<i>12j</i>	I favour Lush because of their cruelty-free/vegetarian/vegan policy.	62	15	23

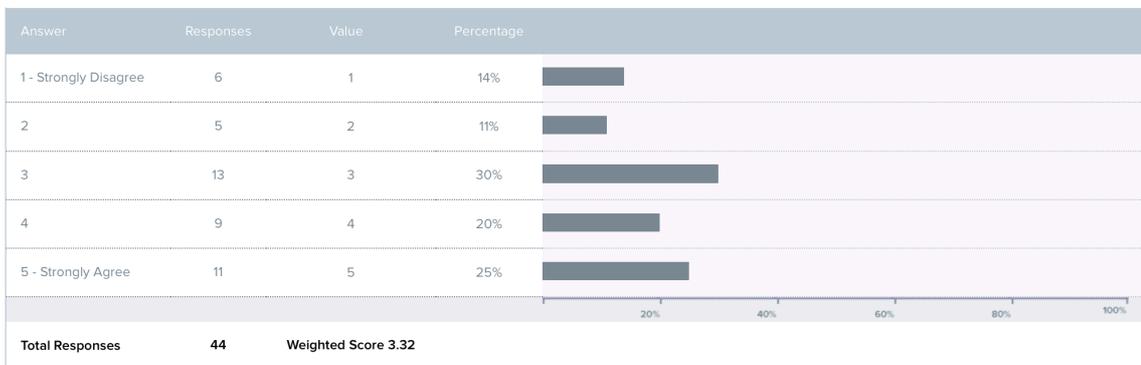
Question 12: Customer-Lush relational outcomes – overview.



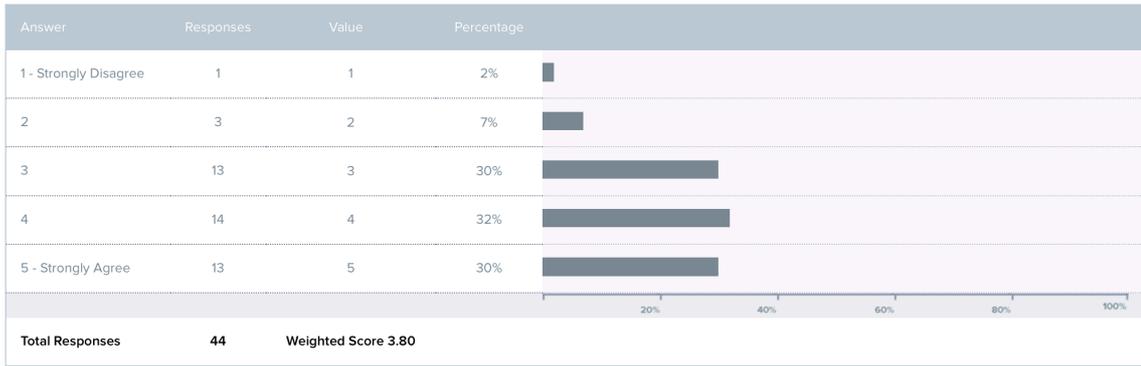
Question 12 a: Lush is a brand I know to be trustworthy.



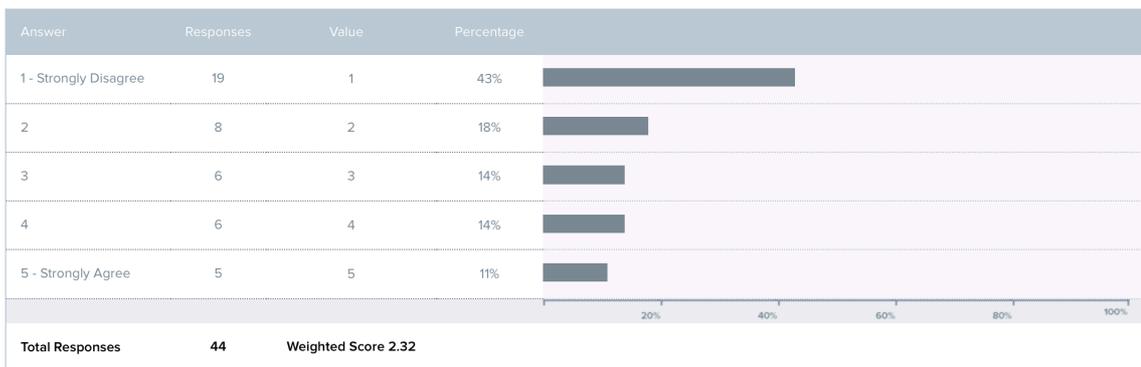
Question 12 b: I am aware of Lush's business practices (how they treat customers, employees, partners, etc.).



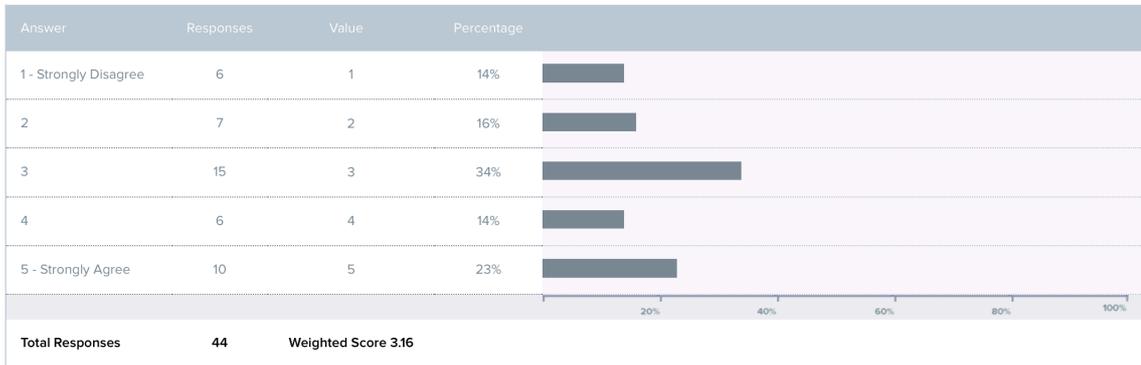
Question 12 c: I would/did switch to Lush because of finding out about their ethical approach towards environment and society.



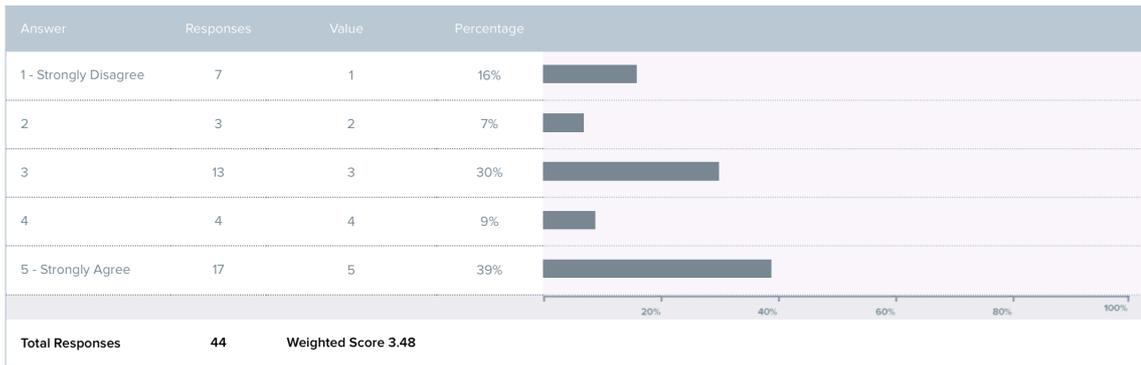
Question 12 d: I find it easy to search information about Lush's social and environmental efforts.



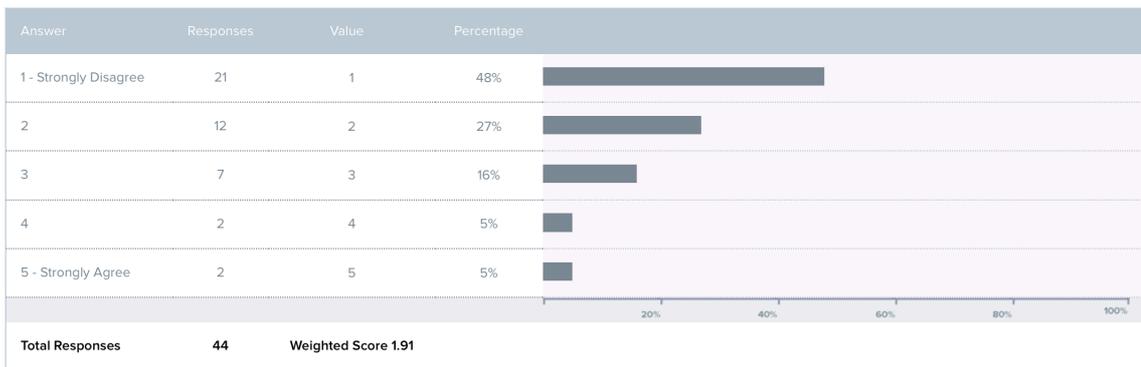
Question 12 e: I go through Lush's product range before I look for other brand's versions.



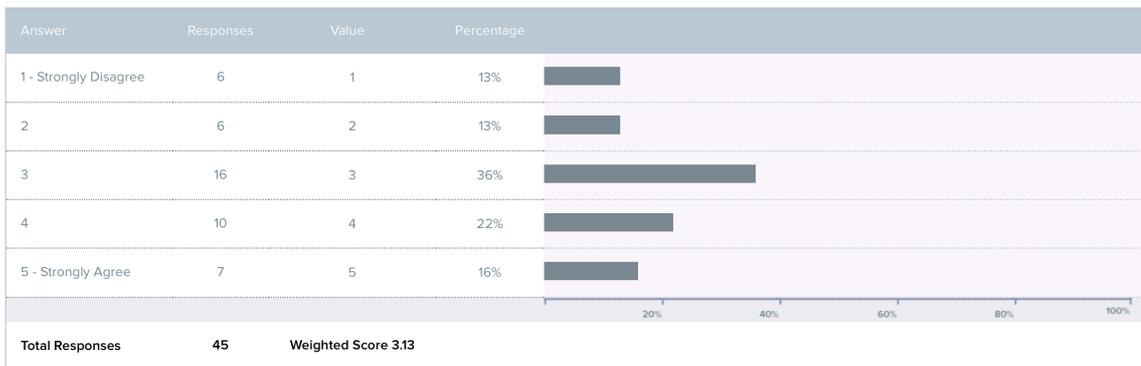
Question 12 f: When given the choice between specific Lush product and identical version from a different brand, I would choose Lush.



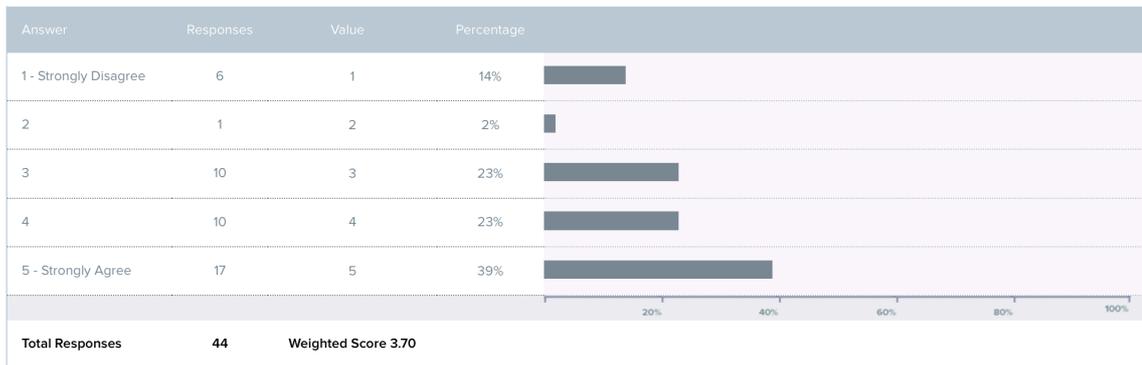
Question 12 g: I would recommend Lush to my friends or family.



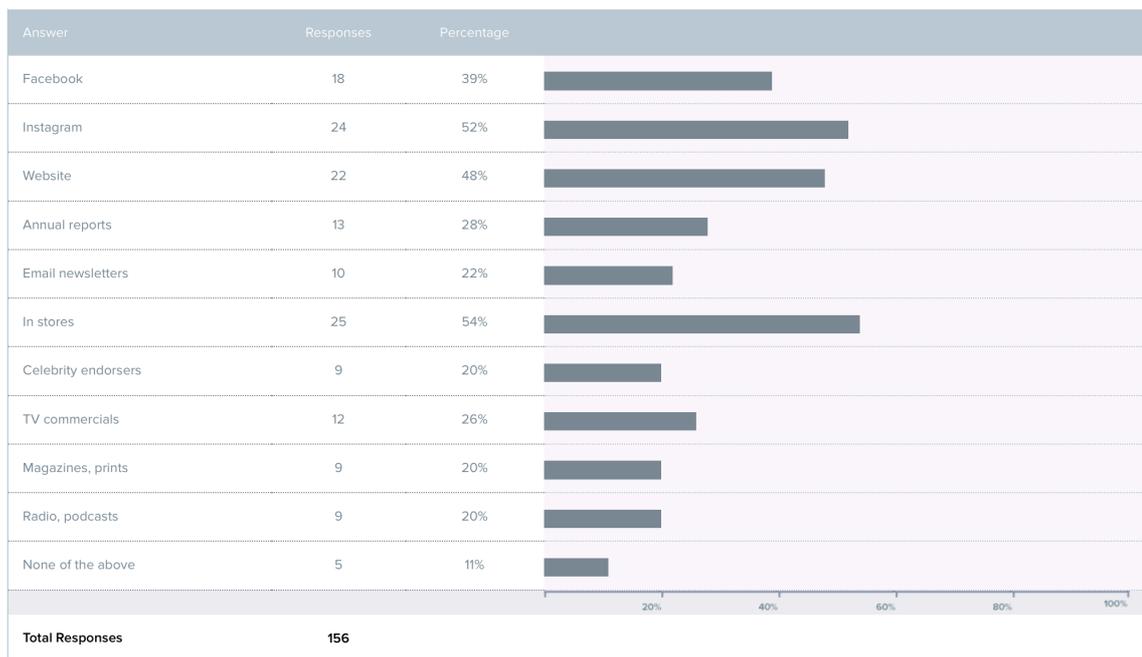
Question 12 h: If Lush's version of a product is not available, I will not purchase another brand.



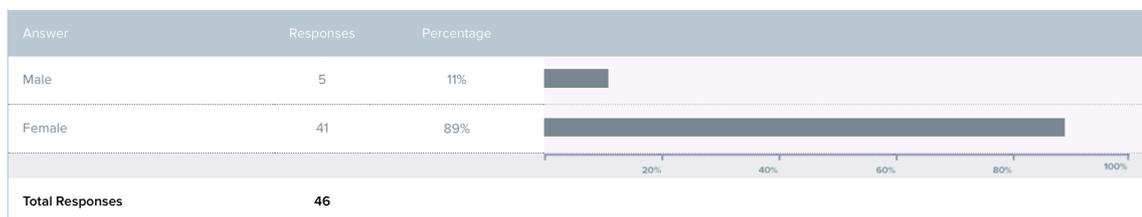
Question 12 i: Regarding environmental and social responsibility, I favour Lush because we share similar point of view.



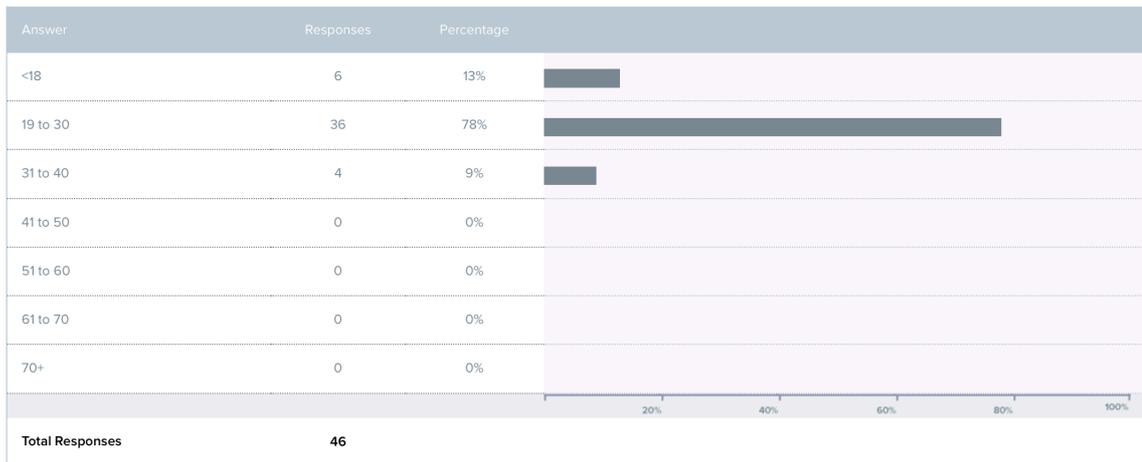
Question 12 j: I favour Lush because of their cruelty-free/vegetarian/vegan policy.



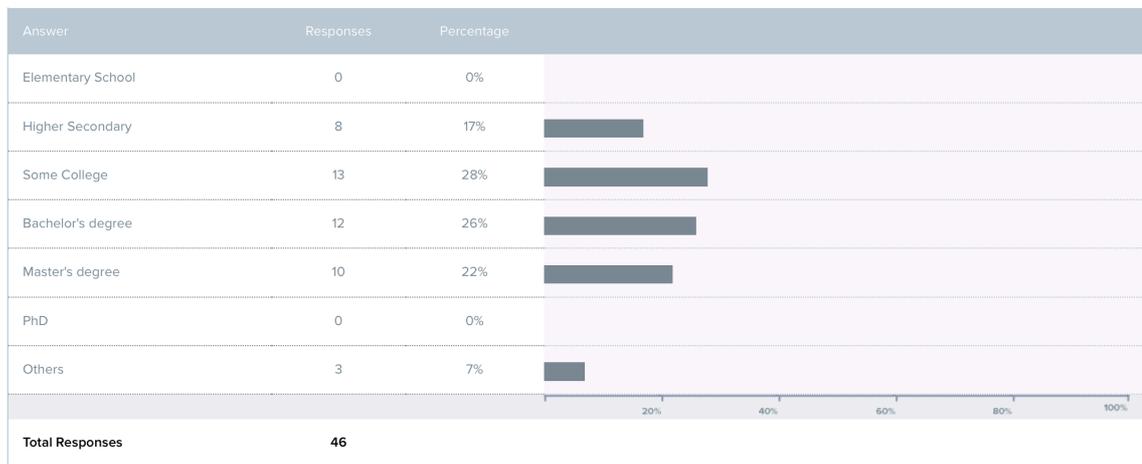
Question 13: In which way would you like to see Lush communicating their efforts towards a better environment and society?



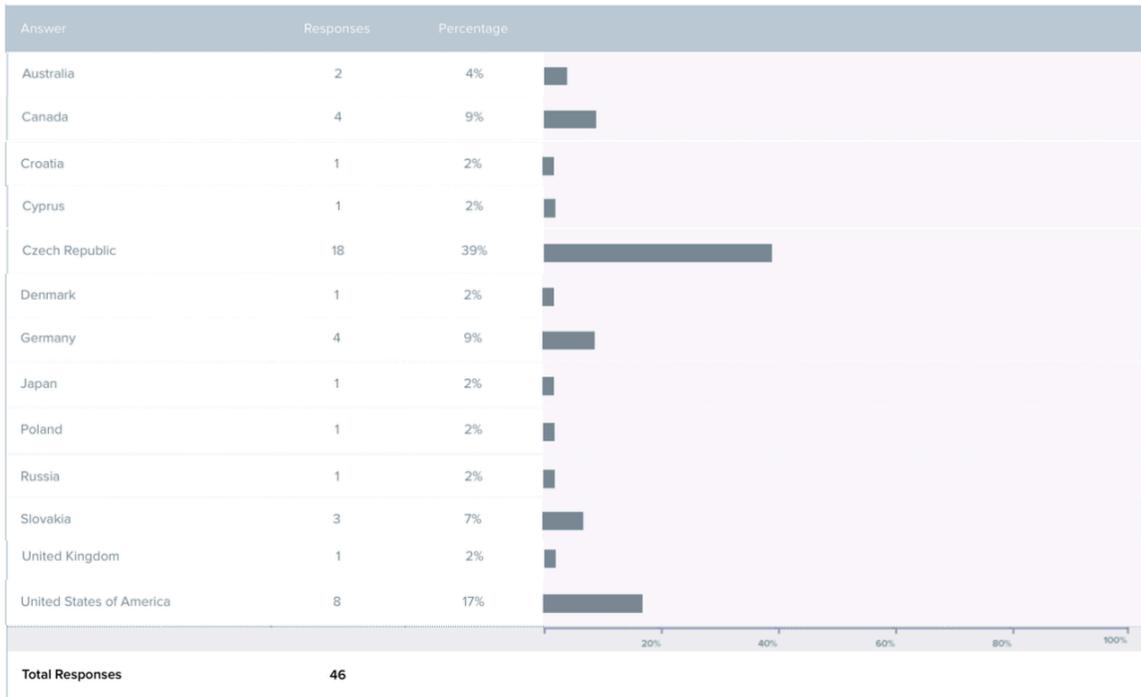
Question 14: What is your gender?



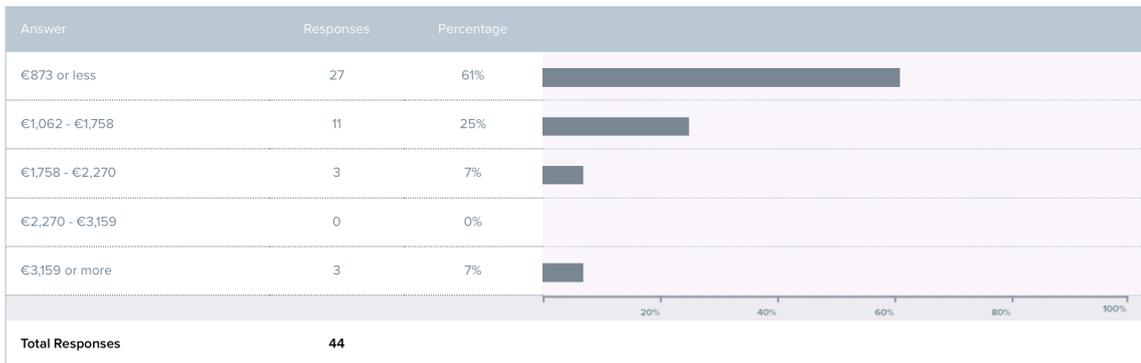
Question 15: Please state your age.



Question 16: What is your achieved level of education?



Question 17: What is your nationality?



Question 18: What is your net monthly income?

Sr No.	Response No.	Q.5 Please rate the following statements from 1 (Strongly Disagree) to 5 (Strongly Agree):	Q.12 12. Please rate the following statements from 1 (Strongly Disagree) to 5 (Strongly Agree):
		S.a I am aware of most of the social and environmental issues challenging our society.	12.1 Regarding environmental and social responsibility, I favour Lush because we share similar point of view.
1.	1	4	4
2.	2	5 - Strongly Agree	3
3.	3	3	4
4.	4	2	3
5.	5	4	3
6.	6	4	4
7.	7	4	2
8.	8	5 - Strongly Agree	5 - Strongly Agree
9.	9	4	3
10.	10	4	4
11.	11	5 - Strongly Agree	2
12.	12	5 - Strongly Agree	3
13.	13	5 - Strongly Agree	2
14.	14	5 - Strongly Agree	5 - Strongly Agree
15.	15	5 - Strongly Agree	3
16.	16	5 - Strongly Agree	3
17.	17	2	1 - Strongly Disagree
18.	18	4	1 - Strongly Disagree
19.	19	5 - Strongly Agree	4
20.	20	3	3
21.	21	4	5 - Strongly Agree
22.	22	5 - Strongly Agree	5 - Strongly Agree
23.	23	4	4
24.	24	5 - Strongly Agree	4
25.	25	3	3
26.	26	4	5 - Strongly Agree
27.	27	4	3
28.	28	3	
29.	29	4	1 - Strongly Disagree
30.	30	4	3
31.	31	5 - Strongly Agree	5 - Strongly Agree
32.	32	4	4
33.	33	5 - Strongly Agree	3
34.	34	4	1 - Strongly Disagree
35.	35	5 - Strongly Agree	5 - Strongly Agree
36.	36		2
37.	37	3	1 - Strongly Disagree
38.	38	5 - Strongly Agree	
39.	39	4	3
40.	40	3	1 - Strongly Disagree
41.	41	4	2
42.	42	4	2
43.	43	5 - Strongly Agree	4
44.	44	5 - Strongly Agree	3
45.	45	4	3
46.	46	3	4
47.	47	4	3

Table 4: Investigating knowledge and C-C identification.

Sr No.	Response No.	 Please rate the following statements from 1 (Strongly Disagree) to 5 (Strongly Agree):	 How favourably do you think of Lush Cosmetics considering their social and environmental efforts?
		 I am aware of most of the social and environmental issues challenging our society.	
1.	1	4	3 - Neutral
2.	2	5 - Strongly Agree	4
3.	3	3	4
4.	4	2	4
5.	5	4	4
6.	6	4	3 - Neutral
7.	7	4	4
8.	8	5 - Strongly Agree	5 - Favorably (the company is making effort above the standard)
9.	9	4	5 - Favorably (the company is making effort above the standard)
10.	10	4	4
11.	11	5 - Strongly Agree	3 - Neutral
12.	12	5 - Strongly Agree	3 - Neutral
13.	13	5 - Strongly Agree	4
14.	14	5 - Strongly Agree	5 - Favorably (the company is making effort above the standard)
15.	15	5 - Strongly Agree	5 - Favorably (the company is making effort above the standard)
34.	34	4	3 - Neutral
35.	35	5 - Strongly Agree	4
36.	36		
37.	37	3	1 - Unfavorably (the company is not doing much)
38.	38	5 - Strongly Agree	3 - Neutral
39.	39	4	5 - Favorably (the company is making effort above the standard)
40.	40	3	3 - Neutral
41.	41	4	4
42.	42	4	3 - Neutral
43.	43	5 - Strongly Agree	2
44.	44	5 - Strongly Agree	3 - Neutral
45.	45	4	4
46.	46	3	4
47.	47	4	4
16.	16	5 - Strongly Agree	4
17.	17	2	3 - Neutral
18.	18	4	2
19.	19	5 - Strongly Agree	4
20.	20	3	3 - Neutral
21.	21	4	5 - Favorably (the company is making effort above the standard)
22.	22	5 - Strongly Agree	4
23.	23	4	4
24.	24	5 - Strongly Agree	5 - Favorably (the company is making effort above the standard)
25.	25	3	4
26.	26	4	4
27.	27	4	4
28.	28	3	
29.	29	4	1 - Unfavorably (the company is not doing much)
30.	30	4	4
31.	31	5 - Strongly Agree	5 - Favorably (the company is making effort above the standard)
32.	32	4	4
33.	33	5 - Strongly Agree	4

Table 5: Investigating correlation between knowledge and perception of Lush.

Sr No. Response No.		<input type="checkbox"/> Q5 Please rate the following statements from 1 (Strongly Disagree) to 5 (Strongly Agree): <input type="checkbox"/> 5 a I am aware of most of the social and environmental issues challenging our society.	<input checked="" type="checkbox"/> Q6 Have you ever bought a product or products from Lush Cosmetics?
1.	1	4	Yes, I buy occasionally
2.	2	5 - Strongly Agree	No, never heard of it
3.	3	3	Yes, I am a frequent customer (at least 4 purchases per year)
4.	4	2	Yes, I buy occasionally
5.	5	4	Yes, I buy occasionally
6.	6	4	No, but I have heard about the company
7.	7	4	No, never heard of it
8.	8	5 - Strongly Agree	Yes, I am a frequent customer (at least 4 purchases per year)
9.	9	4	Yes, I bought very few things
10.	10	4	Yes, I am a frequent customer (at least 4 purchases per year)
11.	11	5 - Strongly Agree	Yes, I bought very few things
12.	12	5 - Strongly Agree	No, but I have heard about the company
13.	13	5 - Strongly Agree	Yes, I bought very few things
14.	14	5 - Strongly Agree	Yes, I am a frequent customer (at least 4 purchases per year)
15.	15	5 - Strongly Agree	Yes, I buy occasionally
16.	16	5 - Strongly Agree	Yes, I bought very few things
17.	17	2	No, but I have heard about the company
18.	18	4	No, but I have heard about the company
19.	19	5 - Strongly Agree	Yes, I bought very few things
20.	20	3	No, but I have heard about the company
21.	21	4	Yes, I am a frequent customer (at least 4 purchases per year)
22.	22	5 - Strongly Agree	Yes, I am a frequent customer (at least 4 purchases per year)
23.	23	4	Yes, I buy occasionally
24.	24	5 - Strongly Agree	Yes, I am a frequent customer (at least 4 purchases per year)
25.	25	3	Yes, I bought very few things
26.	26	4	Yes, I am a frequent customer (at least 4 purchases per year)
27.	27	4	Yes, I bought very few things
28.	28	3	No, never heard of it
29.	29	4	Yes, I bought very few things
30.	30	4	No, but I have heard about the company
31.	31	5 - Strongly Agree	Yes, I am a frequent customer (at least 4 purchases per year)
32.	32	4	Yes, I buy occasionally
33.	33	5 - Strongly Agree	Yes, I buy occasionally
34.	34	4	No, but I have heard about the company
35.	35	5 - Strongly Agree	Yes, I am a frequent customer (at least 4 purchases per year)
36.	36		No, never heard of it
37.	37	3	No, but I have heard about the company
38.	38	5 - Strongly Agree	No, but I have heard about the company
39.	39	4	Yes, I bought very few things
40.	40	3	No, but I have heard about the company
41.	41	4	Yes, I bought very few things
42.	42	4	Yes, I bought very few things
43.	43	5 - Strongly Agree	No, never heard of it
44.	44	5 - Strongly Agree	No, never heard of it
45.	45	4	No, but I have heard about the company
46.	46	3	Yes, I bought very few things
47.	47	4	Yes, I bought very few things

Table 6: Investigation on knowledge and purchase behaviour.