

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Communication Through CSR: Is It Sustainable?

- The Case of H&M

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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Communication Through CSR: Is It Sustainable?

"I believe companies that take responsibility for people and the environment will be the most successful in the long run."

- Karl-Johan Persson, CEO

The CEO of H&M Group Karl-Johan Persson has called in for an important meeting at the Head Office in Stockholm. He has invited an expert consultancy firm to help him with the CSR strategy, something the corporate has worked very hard with in recent years. During the meeting he brings up the media critics that are constantly chasing them, doing everything to find new CSR scandals to write about. Is it ever going to stop? Karl-Johan Persson stresses the importance of working with CSR, and H&M Group has emphasised this aspect in several campaigns throughout the years. The corporate is constantly looking for ways to improve their CSR work but has realised that this is only making media more eager to find issues in their operations. He is afraid that the stakeholders will lose their trust for the H&M Group if this continues.

History and Background

H&M Group is a Swedish fashion corporate that started as a single women's wear store in 1947. Since then the corporate has expanded into 64 markets year to date. H&M Group consisted of only H&M until 2007, when the daughter brand COS was launched. FaBric Scandinavien AB was acquired in 2008, adding Monki, Weekday and Cheap Monday to the brand portfolio. The latest addition to the corporate was & Other Stories in 2010 (see **Exhibit 1** for the brand portfolio). The brands all have their own unique identity, but are said to be united by a passion for fashion and the sustainability aspect. Although, H&M has been the only brand used for communicating the sustainability campaigns.

“Fashion and quality at the best price in a sustainable way” is H&M Group’s business idea. The “in a sustainable way” part was added to the business idea in 2015 to show that it is an integrated part of the business. H&M Group is launching a sustainability report annually and has around 200 employees working with sustainability as their main task. The aim is not only to stay under the top three fast fashion companies of the world but also stand out as the most ethical and sustainable one. Nevertheless, H&M admits that as such a large company it is impossible to control everything when it comes to sustainability. Due to their supply chain they are dependent on their suppliers, which makes it easier to distance themselves when it comes to the factories. In addition to that, the whole business model of H&M as a fast fashion giant is not fully sustainable from its roots, which makes it even harder for them to act in a completely sustainable way.

The Situation

Burma has become the new favourite country for international textile and clothing companies. The country has its low labour wages to thank for that: they have among the lowest wages for workers in the world. H&M was one of the first companies that gained knowledge of this and quickly started a relationship with suppliers in Burma. As H&M’s earnings were increasing with 10% in July 2016, two journalists were just about to release a book reporting of working conditions in the supplier factories.

It was in August 2016, that coverage by two Swedish journalists showed the cruel and unjust working conditions from two supplier factories of H&M in Burma. As part of the book “*Modeslavar*” (Fashion slaves) the production facilities Myanmar Century Liaoyuan Knitted Wear and Myanmar Wedge Garment have been found to employ individuals as young as 11 years old. While some light labour is allowed for 14-18 year olds, many under-aged workers used counterfeited ID’s to be able to work longer shifts. However, a typical workday still approached closer to 14 hours than 8 hours, which is the legal limit for adult workers. In an interview, an employee explains that this is able to function as all workers under the age of 18 are given two days off during inspections. And it has been functioning for more than two years; under-aged girls working for 14 hours a day.

The conditions at the factory have been qualified by international conventions as one of the worst forms of child labour. An interview with a 17-year old girl, that has been working there since she was 11, earns an amount corresponding to 1100 SEK per month, including overtime. Stakeholders of H&M are showing their dissatisfaction and raising concerns. Arguing that if the clothing industry does not improve their work on labour and safety issues, “the world could witness another

tragedy in the quest to produce cheap clothing at the expense of human rights”, as stated by strategic communications specialist Leon Kaye.

In response to these allegations, H&M has made their own independent examination where they could confirm these facts. They have since stopped requesting new shipments from the factories, and started to work on a plan to change these conditions. While they saw no issue with 14-18 year olds working, as this was approved by local law and international conventions, the specific conditions made them step in and take action. In a press release, H&M reference that they work closely with unions and are always aiming to become more transparent.

This incident has raised a lot of questions on H&M’s CSR legitimacy. The consequences of this incident spread widely and rapidly, as both news media and social media around the world are reporting of the situation. H&M is facing a crisis that could potentially harm their reputation and consequently their relationships with their stakeholders. However, what is more alarming is the fact that this is not an isolated incident. In fact, their poor working conditions, safety violations, child labour, and more can be dated back at least 20 years (see **Exhibit 2**).

Repeatedly, media has been reporting about the various scandals of H&M. Still, H&M aims at maintaining their position as one of the leaders in sustainability, and is thus no stranger to initiatives and commitments towards such. In 1997 H&M launched their most important initiative; *The Code of Conduct*, later renamed to Sustainability Commitment. It contains specific requirements that suppliers must uphold. The COC is based on the International Labour Organization’s Declaration of Fundamental Principles and Rights at work and the UN Convention on the Rights of the Child. National laws are however primarily to be followed by suppliers. The COC paved the way of H&M’s CSR strategy, containing sections about legal requirements, child labour, health and safety, worker’s rights, housing conditions, environment, and monitoring and enforcement. H&M provides an implementation guide to help their suppliers with the requirements.

Interestingly, it was a year after the COC was launched that H&M had one of its first global coverages on poor conditions at H&M supplier factories. To counter the media, but also to continue their commitment towards sustainability, H&M has continued with new efforts. In 2005 H&M launched their *transparency initiative*, making public almost all of the company’s global suppliers. Anyone can now access the 98.5% complete supplier list. Later in 2011, H&M started the *conscious collection* with using organic cotton and with the aim of integrating only organic cotton for all the collections until 2020. This came about the same year as the cotton scandal in Uzbekistan was revealed, and just a year after the reportage of contaminated cotton was uncovered. Continuing in 2013, the *recycling initiative* started and is aimed at

encouraging responsible actions by customers. They get to bring a bag of any clothing to the stores of H&M and receive a discount voucher in return. This initiative was a first among fashion brands.

Most recently, H&M followed through two efforts in 2016. In February H&M and its suppliers committed to *not buy cotton* from Syria and Turkmenistan anymore. A result from the child labour that was present in these countries. This was a similar ban to the one in Uzbekistan from 2013. Later in April, H&M launched their first big marketing campaign regarding recycling called "*recycling week*", featuring the famous rapper M.I.A.. The main purpose of the campaign was to portray recycling as more interesting. It was the first campaign focusing on behavioural change while creating awareness for the topic of recycling. Nonetheless, throughout these efforts media still seems to ramp up their reports on H&M's downfalls rather than highlight their initiatives.

At the meeting CEO Karl-Johan Persson presents the consultancy firm with the main question to be answered:

What CSR communication strategy should H&M Group have in consideration to The Situation?

Exhibit 1 H&M Group's Brand Portfolio

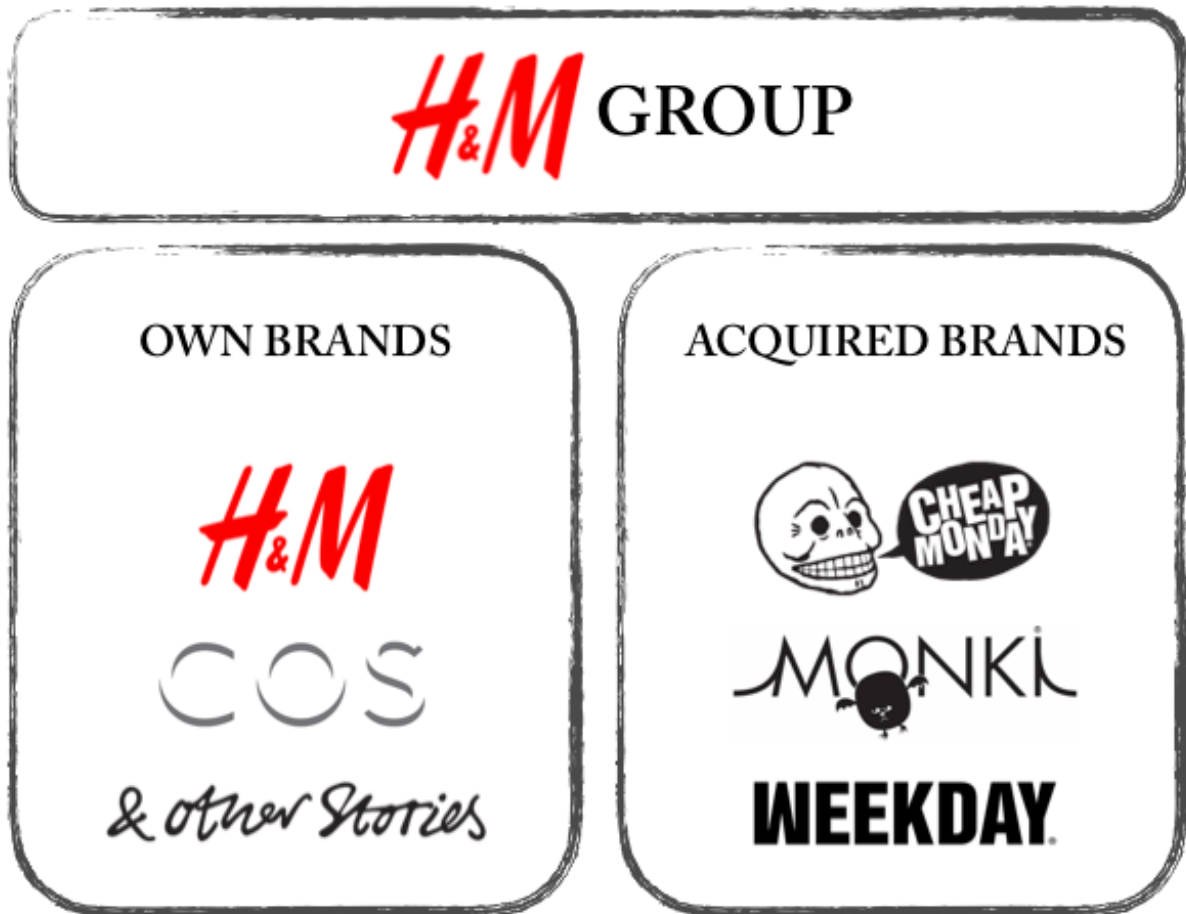


Exhibit 2 Action/Reaction Timeline of H&M Group

