COOPERATIVE PURCHASING ORGANIZATIONS AND CORPORATE SOCIAL RESPONSIBILITY IN INDEPENDENT COFFEE SHOPS

A thesis

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ABSTRACT

Corporate Social Responsibility is an increasingly important concern for businesses in the 21^{st} century. Small and medium-sized enterprises, however, face a number of unique barriers to instituting socially and environmentally responsible measures. This thesis addresses the hypothesis that cooperation between small businesses can reduce some of these barriers. An in-depth case study of the Independents Coffee Cooperative in Philadelphia is used to better understand the impact that cooperation can have on businesses' efforts to increase social and environmental responsibility. It finds that though cooperation can reduce some of the barriers, including financial and information barriers, it also produces additional obstacles. Several recommendations are articulated to help guide other organizations or businesses interested in forming a similar values-based cooperative.

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TABLE OF CONTENTS

Chapter 1 – Introduction

The social and environmental impacts of business have come under increased scrutiny in recent years. Catastrophic events such as the 2010 British Petroleum oil spill, concerns over how toxic waste is disposed of, and the pressure of activist groups concerned about issues ranging from child labor to deforestation of the rainforest have pushed businesses to consider the social and environmental implications of their companies. As customers, investors, employees, and politicians become more aware of the impact of businesses, it is increasingly important for businesses to consider ways to lessen their negative impact.

Much attention has been focused on the social and environmental practices and impacts of large corporations, but small businesses are important factors as well. Though these businesses are often overlooked due to their size and minor individual impact, the cumulative impact of small businesses on social and environmental issues can be substantial. For example, in the UK, where companies with fewer than 250 employees account for 99% of all businesses, some estimate that these businesses are responsible for 60% each of industry's CO2 emissions and commercial waste, along with eight out of every ten pollution accidents (Revell and Blackburn, 2005).

Small businesses often face a variety of barriers when attempting to better incorporate Corporate Social Responsibility (CSR) into their operations, not the least of which is financial. Studies have cited lack of information, time costs, regulations, attitudes of management, and insufficient customer demand as major barriers for small and medium-sized enterprises, but the financial burden is often at the forefront of owners' minds (Herren and Hadley, 2010). While there are ways for businesses to implement more sustainable practices that will eventually save the company money, such as energy efficiency measures, or reducing waste in manufacturing operations, the initial upfront costs of these actions can be difficult for a small business working under a tight budget. There are a number of additional steps businesses could take - including offering more socially or environmentally responsible products, or using green cleaning supplies and office materials - that come at a price premium which can be prohibitive for small businesses.

One action that some small businesses, governments, hospitals, and other organizations have taken to decrease the costs of goods and services is to work together by forming cooperative purchasing organizations (CPOs). A CPO allows organizations to leverage their collective purchasing power, purchasing goods and services in greater bulk and reducing costs for its members through economies of scale. Combining resources may also prove useful in reducing some of the barriers to CSR in small businesses. If a group of businesses could combine their resources and leverage their buying power to purchase socially and environmentally responsible products and services, it could lower the initial cost premium that proves a hurdle to small businesses. Furthermore, these businesses could share knowledge and information in order to further facilitate the greening of their businesses.

This thesis will use a case study of the Independents Coffee Cooperative, formed by small, independent coffee shops in Philadelphia in order to better understand the potential impact of a values-based buying cooperative on the individual members' ability to enact CSR efforts. In studying this case, this thesis will attempt to answer the following questions: What attempts have been made to use the cooperative buying power of small independent coffee shops to become more socially responsible? What barriers have been found in implementing cooperative buying programs? Do businesses see incentives beyond the financial for implementing such a program? And finally, are there any best practices that can be articulated for potential future buying co-ops to be aware of?

CHAPTER 2 – METHODOLOGY

This chapter outlines the methodology used to answer the previously stated research questions. It will cover the process of selecting the case study, detail the data collection process, including interview methods and questions asked, and describe the analysis of the collected data.

In order to address the questions posed in the introduction, this thesis uses an extensive review of literature, and the qualitative approach of case study methodology to gain a deeper understanding of the benefits and barriers associated with CSR-focused cooperative purchasing organizations. A qualitative approach was chosen for this study since it ultimately aims to deepen the understanding of the Independents Coffee Cooperative and the conditions under which it developed and dissolved. Weiss (1998) suggests using qualitative methods when central questions relate to program process, when the researcher needs to stay open to new information regarding the program or when evaluating a new, innovative or complex program. She says "qualitative investigation can reveal how such a new entity takes shape, what problems are faced, who takes leadership… , how goals are set, and how the hundreds of decisions about its future are made" (Weiss, 1998).

Case Study Selection

The Independents Coffee Cooperative located in Philadelphia, Pennsylvania was chosen as the case study for a number of reasons. It was a unique type of buying cooperative, comprised of independently-owned coffee shops in the Philadelphia region that partnered in order to share information and resources pertaining to their triple bottom line[1] philosophy on business. This structure is unusual for buying cooperatives as it focuses not only on the financial savings goal of a standard cooperative purchasing organization, but also on social and environmental responsibility through the cooperative purchasing of Fair Trade, organic coffee. An additional reason for choosing this case study is that this author has connections in the independent business community in Philadelphia, and has had previous contact with many of these business owners.

Data Collection

Data collection consisted of interviews with owners of member coffee shops. All of the owners of the seven former member businesses of the Independents Coffee Cooperative were contacted for interviews via email (see appendix A for request), and a telephone follow up if needed. Interviews were conducted in the beginning of April 2011 and in July 2011 with the responding participants (see Appendix B for list of interviews). All interviews were semi-structured interviews, based on the questions in Appendix C. Three interviews were conducted in person while two were conducted via phone. These five interviews represented three of the seven most recent members of the Independents Coffee Cooperative, and three of the four founding members of the cooperative as well as an Equal Exchange staff member who was involved in the cooperative's development. Additionally, a transcript of an interview conducted

[1] The triple bottom line refers to taking three factors into account when measuring success of a company: people (or social impact), planet (or environmental impact) and profit.

by Keystone Development Center with two members was provided by one of the interviewees. This interview covered many of the same topics as the one developed for this thesis. The Keystone interview was conducted with two members of the cooperative, including one member not interviewed for this thesis. With the addition of this interview transcript, this thesis contains information from four of the seven most recent members of the cooperative, including all four of the founding members. This research was approved as being "excluded" by the Tufts Institutional Review Board in February 2011.

CHAPTER 3 – LITERATURE REVIEW

This chapter outlines a number of topics that provide background for this research. The first section discusses the basic principles of corporate social responsibility (CSR) and the triple bottom line. The second section will look at the literature on CSR in small and medium-sized businesses (SMEs), and the unique barriers they face as they attempt to become more socially and environmentally responsible. The third section will discuss issues of sustainability in the coffee sector, and describe what actions that have been taken to source coffee more responsibly. Finally, the fourth section will describe group purchasing organizations and elaborate on the theory behind such organizations, including their benefits and barriers.

Corporate Social Responsibility and the Triple Bottom Line

Over the last several decades, consumers, investors, and businesses have begun to be more concerned with the impact businesses have on society and the environment. Numerous spills of oil and other toxic materials have made people wary of businesses involved in such ventures, resulting in boycotts of these companies as well as communities fighting to keep these businesses out of their neighborhoods. Socially responsible manufacturing and purchasing have also become important concerns for many consumers and investors as stories of sweatshops and human rights violations in factories have become prominent in the news.

As customers, investors, employees, and politicians become more aware of the social and environmental impact of businesses, it becomes increasingly important for businesses to consider ways to mitigate their impacts. In addition to the pressure that the public and investors have begun to put on businesses, government regulations also push businesses to be more aware of their impact. The Obama administration has pushed for a 17 percent reduction in US carbon emissions by 2020 (Pricewaterhouse Cooper's, 2010). This target could spur more rigorous regulations which could strongly affect US businesses since the Carbon Disclosure Project reported an increase in greenhouse gas emissions by the Standard & Poor's 100 Index of 0.36% per year for the years 2007-2009 (Pricewaterhouse Cooper's, 2010). Nevertheless, 70 percent of the responding firms in the 2010 Carbon Disclosure Project (a survey of Standard & Poor's 500 Index) believe that addressing climate change and other environmental issues can lead to new commercial opportunities, and can help improve relations with customers, employees and other stakeholders (Pricewaterhouse Cooper's, 2010).

Many businesses have begun to see the cost savings potential associated with increasing the energy efficiency of their operations. Additionally, there has been growing consumer demand for greener and more socially-conscious products, from green building supplies, to organic food products, to sweatshop-free clothing. These kinds of drivers, along with others to be discussed later, have increased business interest in Corporate Social Responsibility (CSR) and green business practices.

What is Corporate Social Responsibility?

Corporate Social Responsibility has no single accepted definition, and many companies interpret the concept in different ways. Usually a firm's CSR definition involves management of social and/or environmental issues while balancing the mitigation of their impact in those areas with continuing to make a profit. The World Bank definition states:

"Corporate Social Responsibility is a term describing a company's obligations to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit." (Doane, 2005 pg. 217)

It is also important to note that CSR is generally interpreted as voluntary self-regulation that goes above and beyond any governmental regulations or legal requirements (Battaglia et al., 2010; Doane, 2005). Sometimes firms will refer to the "triple bottom line" when discussing CSR. These companies attempt to take three factors into account when measuring success of their company: people (or their social impact), planet (or their environmental impact) and profit.

Though CSR generally refers to both social and environmental responsibility, since there is no hard and fast definition each company implements CSR in its own fashion and has its own specific focus. Some firms focus their CSR efforts on pollution mitigation, taking steps to reduce energy and water usage, minimizing transportation of their materials, going "carbon neutral," or adopting a formal environmental policy (Schaper 2002; Revell et al., 2010). Others focus more on the social aspect of CSR, such as the work conditions of their manufacturing facilities, or contributing to community development efforts in the areas where they have factories.

Recently, companies have also begun to pay more attention to the performance of their suppliers too, enacting Socially Responsible Purchasing (SRP) or ethical sourcing policies. Leire and Mont (2010) define SRP as "the utilization of the purchasing power of public and private organizations to purchase products, works and services that have a positive social impact." Large corporations have realized that their own performance is strongly affected by the performance of their suppliers, which has forced these companies to be more aware of their suppliers' performance, and to encourage and assist in their improvement.

Why CSR?

There are numerous reasons why a company would try to improve the social and environmental responsibility of their business practices, but most fall into one of four categories: financial considerations, community and public relations, regulatory pressures, and employee retention.

Financial

There are multiple financial reasons for businesses to alter their business practices and become more socially or environmentally responsible. One of the most referenced reasons is the ultimate cost savings associated with more efficient use of resources, whether that is energy, water or other materials used in manufacturing their product (Friedman and Miles, 2001; Revell et al., 2010).

Though additional infrastructure and upfront costs may be needed to increase the efficiency of operations, the ultimate return on this investment can be significant and can save a company considerable amounts of money. One such example is that of energy audits performed at the biomanufacturing firm Millipore, which ended up saving the company $75,000 annually after identifying a leak in the manufacturing plant's compressed air system and another $70,000 annually simply by installing more energy efficient light bulbs with attached motion sensors in a warehouse (Toffel and Lee, 2009).

Another financial driver of CSR is the rising consumer demand for greener and more socially responsible products. Some firms see CSR as having the potential to expand their consumer base and increase their competitiveness (Babiak and Trendafilova, 2010; Revell et al., 2010). As increasing numbers of consumers actively look for more responsible products, companies are starting to recognize the added market opportunities that can arise from offering these goods.

Businesses may also note the impact that environmental practices in particular can have on insurance and finance opportunities. Revell et al. (2010) mention that environmental reform and management can result in lower insurance premiums and cheaper finance costs due to the decreased risk of environmentally catastrophic events. Insurers and contractors may also require a certain level of environmental performance from a company, adding further pressure to improve business practices (Friedman and Miles, 2001).

Finally, businesses may implement CSR measures fearing that they may lose money if they do not. Sarkar (2008) notes that if a business does not improve its environmental performance, it can run the risk of a decline in market value. Recent reports have suggested that left unchecked, global warming could cause a 20% reduction in the global economy, whereas taking actions to prevent such impacts would result in a decrease of only 1% (Revel et al., 2010). In order to prevent serious consequences later, some companies may opt to adopt stricter environmental policy limiting the impact they have on the environment now.

Socially Responsible Investing (SRI) can further threaten some financial opportunities of a poorly performing company, while rewarding companies with good CSR track records. SRI rose to popularity in the 1970's and 1980's as a way to harness the power of capital markets to pressure corporations to alter behaviors (Reinhardt and Richman, 2001). The money invested with social responsibility in mind has grown significantly since the practice began, and as of 2007, an estimated 11% of professionally managed assets in the US (or about $2.71 trillion) were invested with the intent of being socially responsible investments (Delmas and Blass, 2010). As SRI continues to grow, some firms have found it beneficial to consider SRI firms' requirements for investment when determining how to implement CSR in their company (Reinhardt and Richman, 2001).

Public/community relations

Public relations and community relationships are other important drivers for CSR. When a company undertakes increased CSR efforts it can result in good publicity and increased media attention, which can improve a company's image and reputation (Friedman and Miles, 2001; Revell et al., 2010; Sarkar, 2008).

Commitment to CSR can also help improve relationships with advocacy groups (Revell et al., 2010). Better relationships with these organizations can result in a reduction in bad press generated by advocacy groups aiming to pressure companies to improve their social or environmental practices (Sarkar, 2008). Relationships with the local community may also be improved through a firm's increased attention to CSR efforts. These efforts can improve community leaders and other stakeholders' perception of the company, and help to strengthen relationships between the company and the community in which it resides (Babiak and Trendafilova, 2010). A strong commitment to CSR can also result in a decrease in community pressure to improve business practices (Sarkar, 2008).

Regulation

Staying ahead of regulation has been another motivating factor for companies to adopt CSR efforts. Government regulation of companies' environmental practices has been rapidly increasing in recent years (Lefebvre et al., 2003). When new regulations go into effect, a company often has little time to comply with these regulations, and it can be a cost burden to change operations all at once. If a company takes care to consciously perform better than regulations require, it is much less likely that the company will get caught in a place where it must drastically upgrade its operations in a short period of time. In addition, proactive environmental behavior can be used by businesses to prevent or weaken possible tough future legislation (Sarkar, 2008). In this situation, companies can use their active self-regulation of environmental issues to argue that additional governmental regulation is not necessary.

Employee Retention

Finally, companies may use CSR as a way to improve relations with their employees. Implementing CSR measures can improve employee morale and increase staff commitment to the firm (Friedman and Miles, 2001; Revell et al., 2010). Doane (2005) describes how in addition to helping with employee retention, a commitment to CSR can help companies recruit more talented applicants for open positions, and provide additional incentives for applicants to apply.

<u>Barriers</u>

Though there are a number of benefits to the implementation of environmentally and socially responsible business practices, there are additional factors that prevent businesses from doing so. One important reason that businesses do not take action is the lack of support from management. When there is little to no buy-in from top management, or if it is not translated to adequate management incentives for middle management, CSR efforts will not get very far (Sarkar, 2008). Buy-in and pressure from key stakeholders such as managers and shareholders is critical for the success of a CSR initiative (Babiak and Trendafilova, 2010).

Perhaps the most important factor that results in inaction is the cost and additional resources many of these measures require (Sarkar, 2008). While often times in the long run CSR measures (and efficiency measures in particular) can offer significant return on investment, most actions will have upfront costs that a company does not feel comfortable investing. Furthermore, in an era characterized by instant gratification and quick returns, some firms may feel these investments take too long to recapture costs. Adding to this pressure is corporate law, which in the US and the UK protects the financial interests of a company's shareholders, but neglects the interests of other stakeholders who might be affected by the company's actions (Frankental, 2001). Because of this, these corporations have a legal obligation to put financial interests ahead of any ethical or moral considerations outside of legally required regulation.

<u>Criticism of CSR</u>

The rapid rise in interest in, and publicity of, CSR practices has resulted in a growing collection of literature that criticizes CSR as a concept. Some are concerned that the lack of a universal definition of CSR leaves the expression open to too much interpretation. Frankental (2001) states that "CSR is a vague and intangible term, which can mean anything to anybody, and therefore is effectively without meaning" (pg. 20). Having no single agreed upon definition leaves the term open to misuse in the form of "greenwashing," or claiming that the company is being more responsible than it actually is. Doane (2005) argues "CSR has proven itself to be often little more than a public-relations offensive to support business-as-usual" (pg 217). This becomes a particular problem when businesses use mediocre CSR efforts as a way to generate positive press and enhance their public image, or use these efforts as a bargaining chip to avoid further regulation of their industry.

Another major criticism of CSR is that since in the end businesses are motivated by their financial bottom line, there is only so much in the way of social or environmental responsibility that a business will take on. Doane (2005) suggests that "because the incentives for managing social and environmental impacts must always be based on economic decisions, business tends only to innovate and provide solutions in this arena where there is a reasonable profit to be made" (pg. 218). Since voluntary CSR measures are most often financially motivated, a major concern is that without any additional incentives businesses will only put into practice measures that will eventually save or make them money, while other important measures go unnoticed and will not be implemented unless regulated.

Small and Medium-Sized Enterprises and Sustainability

As concern over the social and environmental practices of business has grown, most of the dialogue has focused on the impacts and practices of large corporations. Tilley (2000) suggests that one reason for this is that larger companies tend to be higher profile firms, leading to increased interest in their CSR practices. Additionally, she notes the lack of resources smaller firms may have to address social and environmental issues, and the fact that larger firms tend to have more publicly accessible information on their operations, environmental programs, and overall impact (Tilley, 2000). Large firms tend to have a larger and more visible impact per firm than do small and medium-sized enterprises (SMEs), which focuses the discussion in their direction. SMEs also tend to be located in the service sector, particularly in developing countries, where especially dirty industrial practices are relatively limited (Schaper, 2002).

Though much of the CSR research done to date has focused on large businesses, small firms are an important consideration as well. Small firms are vital to the economy and collectively produce substantial social and environmental impacts. In the US, businesses with fewer than 500 employees account for over 99% of all businesses and employ approximately half of all employees in the private sector (US Small Business Administration, 2009). Small and medium-sized enterprises (SMEs) are defined by the EU as having fewer than 250 employees (Gerstenfeld and Roberts, 2000), and this is the definition that will be used henceforth in this paper. SMEs account for 99.8% of all enterprises in the UK, and for 90% in Europe as a whole, while similar rates are seen around the world (Hillary, 2000).

The cumulative impact of small businesses on social and environmental issues is also substantial. For example, in the UK, some estimate that SMEs are responsible for 60% each of industry's CO2 emissions and commercial waste, along with eight out of every ten pollution accidents (Revell and Blackburn, 2005). Though it has not been empirically verified, others estimate that the total contribution of SMEs worldwide to pollution levels is nearly 70% (Hillary, 2000).

There has been little research done on the environmental impact specifically of SMEs, and the lack of quantitative data obscures the sector's actual impact. Furthermore, there is a gap in the literature on SMEs' management of social and environmental issues, though recently some additional research has been focused in this area. These are notable insufficiencies in the broader CSR literature. In particular, it is important to note that there are distinct differences in the way larger firms deal with issues of CSR compared to SMEs, and the research produced regarding large enterprises often does not apply to smaller firms with fewer resources.

The limited research that has been done shows that in comparison to their larger counterparts, SMEs as a group tend to be less engaged in CSR efforts. In his analysis of SMEs and environmental activity, Schaper (2002) notes that "SMEs are generally much less likely to embark on environmental improvement programmes than large firms, to have adopted or written environmental policy, to utilise a formal environmental management standard or to have undertaken an environmental audit" (pg 527). Furthermore, socially and environmentally friendly actions tend to increase with business size, even within the SME sector (Perez-Sanchez et al., 2003).

While SME owners often state their belief that environmental issues are critical (one study found 80-90% of its respondents felt this way), often these ethics are not translated into action, creating what is described as the "value-action gap" (Revell et al., 2010). The lack of focus on CSR in smaller businesses has much to do with the significant and unique set of barriers they face. Some of the most critical and oft referenced barriers to CSR in SMEs are the financial and human resources needed to enact behavior change, as well as the information and expertise available to the business. Additionally, the attitude and motivation of the business, the current policies and regulations in place, and the lack of public pressure to focus on these issues also affect the way SMEs address sustainability issues and CSR.

Financial

Where larger companies may find the business case for sustainability to be quite compelling, SMEs tend to be more skeptical and often view the market as a barrier to good practices rather than as a driver (Revell et al., 2010). A number of studies have shown that a significant portion of SME owners view the cost of CSR to be prohibitive and are unconvinced that these actions could increase their profits (Revell et al., 2010; Heren and Hadley, 2010). In a survey of SMEs in North Carolina, Heren and Hadley (2010) found financial concerns to be the most frequently referenced barrier to environmental actions.

SMEs tend to be more sensitive to short-term financial pressures than larger companies might be. Hillary (2000) explains that SMEs are "more likely to fail or experience stunted growth than large firms; they suffer more from financial problems, such as late payment of bills and access to loan finance; they can find it difficult to adapt to changing markets; and they lack the human and financial resources to tackle new pressures such as environmental regulation and stakeholders' concern about their environmental impacts" (pg. 10). In order to stay afloat, SMEs prioritize survival and competitiveness above environmental issues (Gerstenfeld and Roberts, 2000).

There are certainly ways for businesses to implement green practices that will eventually save the company money, such as energy efficiency measures, or reducing waste in manufacturing operations. Hobbs (2000) says, "Experiences in cleaner production programmes indicate that 20% reductions in pollution can be achieved with low- or no-cost measures in most SMEs. A further 10%-20% can be achieved with minor investments and payback periods of less than six months. Beyond these measures more substantial investment finance may be needed" (p. 155). However, the initial upfront costs of even these actions can be difficult for a small business working under a tight budget. Furthermore, SMEs often struggle to get investment capital that could help with some of these costs as financial institutions are more likely to lend to larger corporations that they view as less risky investments (Perez-Sanchez et al., 2003; Hobbs, 2000).

Time and Human Resources

Many SMEs identified the lack of available staff time as a barrier to CSR activities. In an interview one SME owner said of CSR initiatives, "The problem is, from our point of view, we're that busy running the business; we tend to sort of let these things go" (Hunt, 2000). Often SMEs do not have the resources to hire a staff person dedicated to stay abreast of CSR issues and resources (Gerstenfeld and Roberts, 2000). Because of this, these issues tend to fall to director level staff, who often have other pressing issues to deal with and not enough time to adequately address CSR matters (Heren and Hadley, 2010). Furthermore, Revell and Blackburn (2005) found that many of the businesses they interviewed felt that the time costs associated with taking action on environmental issues would not be financially justified.

Information and Expertise

Partly as a result of not having the time and resources to devote to CSR, SMEs face a lack of information and expertise regarding actions they could take in order to become more socially or environmentally friendly in their business practices. Though owners of SMEs may generally be aware of the importance of environmental issues, they are usually much less aware of specific issues, environmental management systems or environmental laws than their larger counterparts (Schaper, 2002; Gerstenfeld and Roberts, 2000). When there is no staff person to sort through it all, information on CSR issues is often ignored by SMEs (Hunt, 2000). Heren and Hadley (2010) also note a significant lack of best practice literature on SMEs and sustainability.

Infrastructure and Operations

SMEs also run into barriers of infrastructure. Due to the size of their operations they often rent space in larger facilities that they have little control over. Heren and Hadley (2010) found that a number of businesses identified environmental actions that they might undertake if they had more control over the activities. For example, some of the businesses said that due to the fact that their cleaning services were contracted out, they had no control over what products were used (Heren and Hadley, 2010). Revell et al., (2010) found that over half of the businesses surveyed identified poor infrastructure as a barrier to environmental activities, with specifics cited such as a lack of recycling facilities available to their building.

Public Pressure

Since SMEs tend to be less visible than larger companies they also tend to receive less public pressure to change socially or environmentally detrimental practices. Hobbs (2000) explains this, stating “pressure groups gain none of the prestige, headlines and publicity by targeting SMEs that campaigns exposing the environmental misdemeanours of high-profile multinationals bring” (pg. 150). Beyond the pressure of activist groups, businesses have faced increasing pressure to change practices from their customers, though these again are often more focused on larger corporations (Revell et al., 2010). Additionally, though end customers have begun to push for greener and more socially responsible products to be offered, they often ultimately make purchases based on price, rendering their pressure less effective, especially for SMEs concerned with their bottom line (Lefebvre et al., 2003).

Attitudes and Priorities

Revell and Blackburn (2005) suggest that SMEs often do not voluntarily improve their environmental performance because they do not see a strong business case for doing so. Many of the SMEs that were interviewed in their study did not believe they would see a reduction in costs or gain customers from improving their environmental performance, and therefore did not make improving environmental performance a priority. Fay (2000) describes the situation thusly: “By their nature, smaller businesses have limited capacity to deal with the many issues that confront them on a daily basis. In this context the priority will always be to address those concerns seen as having a more immediate bearing on their survival: their competitiveness, the skills and training of their staff, productivity, interest rates, etc.” (pg. 9).

Another indication of the attitude of SMEs toward improving their environmental performance is the finding in Revell and Blackburn's study (2005) that 86% of all the firms surveyed said that they did not feel that their business had an impact on the environment. Though a more recent study has shown the percentage of SME owners who believe this to have sharply declined in the last five years, this attitude is still a barrier that will need to be overcome if these businesses are going to change their CSR practices (Revell et al., 2010).

Governmental Policy, Legislation and Regulation

Revell and Blackburn (2005) found that UK governmental policies focused largely on voluntary initiatives rather than developing stringent policies regulating the environmental performance of industry, and relied on businesses seeing an economic case for environmental reform.[2] Since, as has been previously noted, SMEs are much more resistant to the concept of a business case for sustainability than large businesses, the use of voluntary initiatives often does not provide enough incentive for SMEs to alter their business practices. When SMEs are active in undertaking environmental or social reform, the programs are likely reactive rather than pro-active measures (Schaper, 2002). More often than not, SMEs will wait until regulation forces them to change their business practices rather than pro-actively changing their environmental and social policies (Clark, 2000). Because of this, SMEs tend not to believe that self-regulation can

[2] It is important to note here that most of the research done on SMEs and environmental or social regulations focuses on businesses in the UK. Therefore, conclusions surrounding the impact of governmental policy and regulation cannot necessarily be generalized to US SMEs.

ultimately be successful in encouraging corporate behavioral change (Tilley, 2000; Revell and Blackburn, 2005). Many SMEs also suggest that corporate environmental and social reform is not the responsibility of individual business owners, but should instead be the responsibility of the government (Revell et al., 2010).

Though there are numerous barriers facing SMEs in CSR efforts, there is also significant hope for the capacity of this sector to become more socially and environmentally responsible. As discussed above, there are many clear benefits and drivers to a business increasing efforts in this area. In particular, SMEs have identified cost savings from energy efficiency, increased employee morale, better customer and community relations and image, and attracting new customers as drivers of improved social and environmental performance (Revell et al., 2010; Smith, Kemp and Duff, 2000). Supply chain pressure is also becoming more visible as a driver. As larger companies receive more pressure regarding the social and/or environmental responsibility of their supply chain, they in return pressure their suppliers to improve their practices (Hobbs, 2000).

There have also been some recent studies done that show SMEs attitudes toward CSR to be changing. Revell et al. (2010) saw an improvement in the awareness and practices of SMEs in the UK, and noted in particular a substantial decrease in the percentage of businesses that felt that their business was too small to have an impact. One business owner surveyed said, “Things have been changing nowadays as you can hear or see from TV regarding environmental issues – that’s why there is a shift from negative to positive attitudes [amongst

SMEs]" (Revell et al., 2010 pg. 281). Some worry that this new leaning towards proactive change in behavior will fade once SMEs finish "picking the low hanging fruit" by implementing efficiency measures and find further measures to have negative financial impacts (Revell et al., 2010). However, others note that SMEs are particularly flexible and adaptive, and suggest that SMEs thrive in the niche markets where environmentally and socially responsible products are usually found (Lefebvre et al., 2003).

There is also a small but important subset of SMEs that are active in incorporating CSR into their business plans. These businesses, which Doane (2005) dubs "ethical minnows," are small, niche firms that are particularly committed to being responsible in their environmental and social practices. Doane (2005) describes these companies as focusing on products that "serve rather than drive human need" (pg. 227). Others describe similar small businesses as "ecopreneurs" – entrepreneurs looking at business through an environmental lens (Rogers, 2010). These SMEs face the same barriers and drivers to sustainability as the broader SME population, but their stated corporate values include a dedication to CSR, and they use this to differentiate themselves in the market. It is companies like these that are the ultimate focus of this thesis.

Since the businesses in this thesis's case study are already committed to CSR, the attitudes and priorities of the firm, and lack of regulation and public pressure should not be significant barriers to these companies CSR efforts. However, they will still likely face barriers in the way of financing these efforts, and finding the time and human resources to enact them. The businesses may also generally be more aware of and interested in CSR, they still may not have to time to fully educate themselves on the issues and what can be done to mitigate their impacts. Finally barriers surrounding infrastructure and operations are likely to still play a large role in how these firms address social and environmental concerns.

Coffee Sourcing and Corporate Social Responsibility

The coffee industry faces a number of environmental and social challenges. The environmental impact of disposable cups, waste management (including recycling and composting), use of greener cleaning products, and energy and water efficiency of operations all provide opportunities for coffee shops to become more environmentally and socially responsible. A growing number of coffee shops offer disposable cups that are either compostable or contain post consumer recycled paper. Starbucks is working to develop a LEED certified store model that can be replicated for new stores (Girrbach, 2010). However, one of the most visible things coffee shops can do in the way of CSR is to offer more responsibly sourced coffee.

Much of the world's coffee is grown using highly unsustainable methods. The green revolution brought the concepts of monoculture, chemical fertilizer and pesticides, and high yield seeds to the coffee industry (Martinez-Torres, 2008). While traditionally coffee had been grown under the shade of trees, in the 1980's the use of high yield varieties of coffee grown in full sunlight with significant agrochemical inputs became the norm (Austin and Reavis, 2004). Conventional coffee production now renders top soils vulnerable to erosion, relies heavily on pesticides and fertilizer to sustain yields, and is a highly water intensive process (Martinez-Torres, 2008). Additionally, over 25 million acres of rainforest have been cut down to in order to make way for coffee plantations, which has environmental implications that range from global warming to bird habitat destruction (Austin and Reavis, 2004).

Social considerations have also been at the forefront of concerns over the coffee industry. Many coffee farmers cannot make an economically sustainable living off of coffee production, and therefore live in poverty (Bacon, 2008). In 1989 the International Coffee Agreement (an international agreement that had set quotas for production of coffee since 1962) disintegrated, and deregulation of the coffee industry followed (Bacon, 2008). Deregulation of coffee production and the rapid emergence of new major coffee producers in the 1990's created a significant oversupply of coffee, making coffee prices plummet (Goodman, 2008). Between 1990 and 2005, global coffee production increased 15%, while global consumption rose only 7%, dropping prices from $2.71/lb to as low as $0.48/lb (Linton, 2005). This overproduction, and subsequent drop in price, was disastrous for the 125 million people who earn their income producing coffee, and in particular to small-scale farmers who supply 70% of the world's coffee (Kolk, 2011). The income coffee producers receive is dependant not only on the market price of coffee, but the number of intermediaries the coffee must travel through to get from farmer to roaster (Austin and Reavis, 2004). The fewer intermediaries there are, the more money that can go directly to the farmer. This is particularly significant for small-scale farmers, who often lack direct access to markets, making them particularly vulnerable to the volatility of the coffee market (Petchers and Harris, 2008).

The decline in market price, along with difficulties accessing both short and long term financing, created significant economic hardship for coffee farmers (Petchers and Harris, 2008). It left many coffee farmers struggling to even hold on to their land for the next season, and impoverished countless communities reliant on coffee production for their economic wellbeing. Farmers faced increasing debt as coffee prices fell, and banks began to foreclose on their farms (Bacon, 2008).

In order to deal with some of the social and environmental issues associated with coffee production, recently there has been a movement towards sourcing more sustainable coffee. The market for coffee certified as either socially or environmentally responsible has grown tremendously in recent years. By 2003, sales growth for sustainable coffee was approximately five times greater than that of traditional coffee (Giovannucci and Koekoek, 2003), and higher growth rates have continued to this day as nearly 8% of all coffee imported to the US (the largest coffee consuming country) is certified as either socially or environmentally responsible (Kolk, 2011). As the push towards sustainability continues, a growing number of businesses in the coffee industry have begun offering certified coffee (Kolk, 2011).

A number of different coffee certifications have been developed, in order to promote more sustainable production. Some of the most recognized of these certifications are Fair Trade, organic, and shade grown. This thesis is not intended to evaluate the relative benefits of Fair Trade, organic, or shade grown coffee, but instead offers purchasing certified coffee as an example of an action coffee shops might take in order to be more socially and environmentally responsible. To that end, the following sections will describe the intent of each certification rather than discuss the relative merits and failures of each.

Fair Trade

In order to be labeled Fair Trade coffee, a product must satisfy a number of criteria that address both social and environmental concerns. Most aim to improve the social and economic conditions of the coffee producers, such as guaranteeing a price floor for the coffee and buying directly from small farmers, in order to eliminate the middleman and have more of the profits reach the farmers (Linton, 2005). Fair Trade standards require coffee traders to work with small-scale farmers and to pay these farmers a price that "covers the costs of sustainable production and livelihoods," along with an additional premium that is to be used for economic and social development in the community (Bacon, 2008). Furthermore, these standards encourage traders to sign long-term contracts with the coffee producers and help provide credit to farmers in order to provide additional stability for them (Bacon, 2008). In addition, the Fair Trade model encourages organic production, and though there are no requirements for it to be so, 44% of Fair Trade coffee is also organic (Giovannucci and Koekoek, 2003). Fair Trade coffee is generally seen by consumers as a label denoting ethical business practices, and for this reason Fair Trade certified coffee is often offered by businesses that are concerned with CSR and the business practices of their supply chain (Moore et al., 2008).

Shade Grown

Shade grown coffee is coffee grown in the shade of trees, a process that is much more like traditional methods of coffee production than intensified conventional production. Shade trees provide ecological benefits by protecting against soil erosion, and protecting bird habitats (Martinez-Torres, 2008). Furthermore, shade growth can help reduce a farmer's dependence on chemical fertilizers and pesticides, since the trees replenish the soil organic matter by way of their leaf litter, curb weed growth as their leaves act as natural mulch, and can attract beneficial insects that control potential pest populations (Martinez-Torres, 2008). Growing coffee in the shade of additional trees allows farmers to diversify their crops, and to sell other products grown in the same area, such as bananas or wood from the shade trees, lessening their dependence on coffee as their sole source of income (Linton, 2005). Numerous studies also suggest that shade grown coffee protects both plant and animal biodiversity in the area (Mendez, 2008).

Organic

Organic coffee certification aims to protect ecosystems and promote sound environmental practices of coffee production (Kolk, 2011). In this case, coffee is grown without the use of synthetic chemicals, decreasing its environmental impact (Linton, 2005). Organic coffee production often uses shade trees to diminish the need for agrochemical inputs to the system (Martinez-Torres, 2008). Organic inputs, along with human labor, allow the yield to be intensified without the use of chemicals (Martinez-Torres, 2008). The theory behind organic coffee production assumes it will produce both environmental and social benefits. Environmentally, organic production protects the local environment and water sources from chemical contamination from synthetic fertilizers and pesticides (Bacon, 2008). Furthermore, it eliminates the pollution associated with the production and transportation of agrochemicals, and helps to improve long-term soil quality (Bray et al., 2008). Socially, growing organic coffee protects farmers from exposure to harmful chemicals, creating a safer work environment for farm workers and their families, and a safer product for consumers (Bacon, 2008). Additionally it can reduce the cost of inputs through eliminating expensive agrochemicals. Organic coffee also commands a higher price, providing modest financial relief to impoverished farmers (Bacon, 2008).

Each of these certifications generally allows the coffee to command a premium (Kolk, 2011). Though this price premium is ultimately conferred on the end customer, it can give businesses pause when determining whether or not to offer certified coffee.

Cooperative Theory

There are numerous forms cooperatives can take, though they share characteristics of being member-owned and controlled and operating specifically for the common benefit of the members. The cooperative structure allows for democratic control of the organization and allows people or groups to combine their resources and work together to further economic or social goals (Phillips, 1953). Cooperatives can take the form of worker-owned cooperatives, producer cooperatives, or consumer cooperatives.

Worker-owned co-ops are essentially standard businesses, offering goods or services for pay, where the employees own the company in addition to working for it (Sommer et al., 1984). While not immensely popular in the US today, these types of co-ops are thriving in Spain with cases like Mondragon. There are also those in the US that look to these co-ops as potential economic development tools. Worker-owned co-ops have been established in the South Bronx, Cleveland, and other areas with the hopes of revitalizing the community (Sommer et al., 1984; www.greenworker. coop; www.evergreencoop.com).

Another type of co-op, which is particularly common in the agriculture sector in the US, is the producer coop. Such co-ops allow smaller providers of similar goods or services to combine their resources and offer their collective goods under one unified brand. The Ocean Spray and Cabot brands are well known examples of producer cooperatives in the US, and small scale coffee farmer co-ops are common in other areas of the world. In each of these cases, small farmers pool their products and market them under one label. This allows the farmers to work together in processing, distributing and selling their products, as well as decreasing the need for resources they previously used in competition with each other (Nielson, 1988).

Sommer et al. (1984) define a consumer cooperative as “a retail business owned and controlled by those who receive goods and services” (pg 143).

Consumer cooperatives consist of multiple users working together to use economies of scale to their advantage. These co-ops use their increased consumer base to negotiate lower prices on goods and services for their members. They can market directly to individuals, as in the case of numerous natural food co-ops, or they can cater to businesses instead. This thesis will focus on the possible benefits for small businesses in joining the latter type of consumer co-op, and therefore these are the types of cooperative that will be expanded on henceforth.

CPO Theory

Consumer co-ops, or cooperative purchasing organizations (CPOs) as they will be addressed hereafter, allow for smaller entities to work together and leverage their purchasing power for the economic benefit of their members. By combining the individual organizations' acquisitions to purchase goods and services in greater bulk, a cooperative buying organization can negotiate reduced costs for its members through economies of scale. There are multiple reasons for an organization to join a CPO, but the price savings that can be attained on purchases is the most referenced motive (Sommer et al., 1984). Other benefits can include the sharing of best practices and access to the combined knowledge and expertise of fellow members (Katz, 2010).

Governments, hospitals and universities are among the organizations that have recognized the economic benefits of group purchasing. Dorger (1999) discusses the many ways in which universities can save money by forming consortiums and sharing costs of goods and services ranging from insurance, to library resources, to service contracts, and references one case where two institutions pooled their natural gas contracts and saved over $1 million per year for each institution.

The benefits for small businesses joining CPOs have also recently been noticed. Since the rise of the big-box mega store, it has become more difficult for SMEs to offer prices as low as those of larger stores. Joining a CPO helps small businesses reduce their costs, and these savings can then be passed on to the customers, making their prices more competitive. BizUnite is an example of a CPO dedicated to smaller businesses. Formed as a way to help small independent businesses compete with their much larger competitors, BizUnite offers discounted rates on services from credit card processing to shipping to insurance (Small Business Trends, 2008). It also encourages direct collaboration between individual businesses, and the sharing of best practices to further support the small business community (Small Business Trends, 2008).

Potential for CPOs to alleviate barriers to CSR in SMEs

The use of CPOs could be particularly useful in overcoming some of the previously articulated barriers to CSR in small businesses. Firstly, if businesses pooled their resources and leveraged their buying power in purchasing green products and services, it could lower the initial cost premium that proves a hurdle and make these steps more feasible for small businesses. Furthermore, if these businesses shared knowledge, expertise and information regarding reducing their social and environmental impacts, it would also assist in overcoming the information barrier to CSR in SMEs. Depending on the location of the businesses involved, there could also be an opportunity to share infrastructure such as recycling facilities. Finally, cooperation between these SMEs could have an effect on potential regulation. As Johannson (2000) notes, SMEs "do not exercise their clout as a collective bargaining unit either in national forums for standards development or international trade policy. Their views are seldom sought on policy issues, including trade and sustainability" (pg. 88). If small businesses worked together, they could use their numbers and collective sway to influence policy decisions.

The idea of working together to increase business sustainability efforts is gaining more attention. Even large companies have begun to collaborate in order to develop more sustainable practices. One such example of collaboration is Starbucks' cup summit. At this summit Starbucks collaborated with competitors Dunkin Donuts, Tim Horton's and Green Mountain Coffee, and met with cup manufacturers, recyclers, academic experts and municipalities to develop a more eco-friendly disposable cup (Abelson, 2010). Jim Hanna, Starbucks' director of environmental impact, states of the collaboration, "We are fiercely competitive but we really want to differentiate ourselves on the quality of our product and level of service in stores… Sustainability is a problem we all have to solve together" (Abelson, 2010).

Small businesses have also had the opportunity to collaborate on CSR issues, though often they are not framed as such. One example is the health insurance purchasing cooperatives (HIPCs) created in the early 1990's. These were started with the understanding that employees of small firms and their dependants constitute the majority of uninsured people in the US, due to the fact that small firms lack the resources and expertise necessary to insure their employees (Wicks and Hall, 2000). The hope was that these purchasing cooperatives would be able to negotiate reduced prices on health insurance for small businesses, and eventually increase both the number of people insured, and the choices in insurance that employees of small businesses had (Wicks and Hall, 2000). For numerous reasons, these co-ops were not as successful as many hoped them to be, but this type of cooperation has helped to lay the ground work for other cooperative purchasing organizations meant to help small businesses.

CHAPTER 4 – CASE STUDY: INDEPENDENTS COFFEE COOPERATIVE

This chapter will look in depth at a case study of one cooperative purchasing organization formed by small independent coffee shops in Philadelphia, Pennsylvania. It is a more values-based CPO than most, and was chosen for a case study due to the commitment of each of the member businesses to the triple bottom line, and the cooperative purchasing of Fair Trade organic coffee beans. Because of its values-based approach to cooperation, it will be useful in determining the possible benefits and barriers to using a cooperative model to address CSR efforts.

Informal Beginnings

The Independents Coffee Cooperative began informally around 2003 through the collaboration of four independently-owned coffee shops in Philadelphia. InFusion, Green Line Café, Mugshots Coffeehouse and Café, and Joe's Coffee Bar each started their businesses between the years of 1999 and 2004. As each coffee shop opened, the owners sought out other shops in the area with similar values, especially relating to the purchase of Fair Trade coffee and local food, in order to get advice and learn from the others' experiences. Each business shared a commitment to a triple bottom line philosophy, and they began to use each other as resources for learning how to navigate balancing the three factors of the triple bottom line: people, planet and profit.

The owners of the four businesses turned to each other for guidance on a wide range of issues, from which vendor they were using for certain products, to how they handled issues with staff members. When one coffee house was preparing to open, the owner of another provided it with blueprints of his store as well as health department information. This information was subsequently passed onto the next store that was opening. One of the owners described the relationship as somewhat of a support group for their businesses.

Each store was located in a separate neighborhood of the city, so there was no feeling of competition between the businesses (see Appendix D for map of founding member Coffee Shops). Rather, the competition that most owners noted was with Starbucks and other chain coffee companies. One interviewee shared the opinion that though many of these bigger companies were talking about Fair Trade and social responsibility, it was more hyperbole than anything else. The four independent coffee shops on the other hand were all purchasing their coffee through Equal Exchange, a Fair Trade coffee roaster located in Massachusetts, and were all very committed to the philosophy of Fair Trade and the triple bottom line. At that point there was very little publicity about independent coffee shops and what they were doing in terms of social responsibility. In attempts to change this, during this time of informal cooperation owners would promote the other stores to their customers in order to spread the word about Fair Trade coffee and independent coffee shops. When customers commented to coffee stop staff that they wished the business would expand into other areas of the city, the staff responded by recommending other shops with similar values run by friends.

As these businesses informally shared resources and promoted each other to their customer base, the owners started to consider what other benefits they might be able to gain from working together in a more formal way. As one owner tells it, it was at a dinner with all of the coffee shop owners and their Equal Exchange sales representative that people started seriously discussing what more formal cooperation between the businesses could look like. Since Equal Exchange is a worker-owned cooperative, it is very committed not only to Fair Trade, but to the cooperative model as well. The shops' Equal Exchange sales representative was able to help the owners through a number of important conversations about what kinds of benefits they could leverage as a group, and what a formal cooperative would look like.

When asked what kinds of benefits they had hoped to receive by starting a formal cooperative, each one of the interviewees mentioned the hope of being able to reduce costs by leveraging their group buying power. If the businesses could purchase many of the items that they all needed in bulk, they could negotiate better prices with their vendors based on the larger volume of purchases. In addition to this common goal, owners articulated a couple of other benefits that they had hoped would come from the cooperative. One owner discussed the hope that working as a formal cooperative would allow for additional, and more formal cross promotion between the businesses involved, even something as simple as a sign in each of the shops describing the cooperative and listing the other members, in order to attract more customers to each other's stores. Another owner mentioned being interested in joint staff training so that "if somebody saw the Independents Coffee Cooperative logo somewhere that they would know that they could go into that store and get a really great cup of coffee, and great customer service, and that's what that mark would mean." Further anticipated benefits included the ability to put on joint events and educational programs in support of Fair Trade.

After discussing these potential benefits and consulting with Equal Exchange, the owners of the four founding coffee shops decided that ultimately they could accomplish a number of exciting things by developing more of a structure and formalizing themselves as a cooperative. Many interviewees noted the important role that Equal Exchange played in this decision. Equal Exchange was able to help them navigate logistics such as developing by-laws, acted as an impartial mediator between the businesses, and was available to answer any questions the coffee shops had. Though Equal Exchange makes it a point to support and nurture cooperatives, especially coffee growing cooperatives, they do not usually work to help form cooperatives, so in order to hammer out some of the specific details, the business owners hired a consultant. This consultant guided the businesses through the incorporation process, and helped the businesses determine the ultimate structure of the organization.

Incorporation and Structure of the Independents Coffee Cooperative

In 2005 the four founding coffee shops incorporated as the Independents Coffee Cooperative. The organization was set up as a non-profit cooperative with the mission statement reading "the mission of the cooperative is to support the viability of independent coffee houses, increase the sale of Fair Trade and organic coffee in the Philadelphia region and to educate consumers on fair-trade and sustainability issues" (Independents Coffee Cooperative, n.d.).

A combination of methods funded the cooperative's marketing efforts and events. Each member was required to pay dues. Initially the dues were $250 per year, though by 2010 they had doubled to $500 per year. In addition to the dues, the cooperative was funded through rebates on purchases that members made. The cooperative had negotiated rebates through both Equal Exchange and their paper distributer, where members would purchase products at a listed price, and then a certain percentage of that purchase amount would be refunded to the cooperative. Equal Exchange offered the co-op a rebate of 3%, while the co-op's paper distributer, Lap Distributers, offered a 2% rebate. This money went into the cooperative's bank account to fund the cooperative's activities and the marketing of the co-op. In addition, the cooperative received grant funding in its early stages in order to work with a marketing professional to brand the co-op.

The cooperative began to attract new members, and at its height it included 10 members with 15 different locations across Philadelphia (Keystone Development Center, 2010). Many of these new members participated for only a year or two before leaving the cooperative, and during its final year in 2010, the cooperative included just seven member businesses.

The cooperative was governed by an elected board comprising a president, vice-president, secretary and treasurer, though most of the interviewees described decision making as a very collaborative effort. There was no staff for most of the existence of the cooperative. Everything that needed to be done to keep the organization afloat, from negotiating rebates and discounts, to handling billing, to promoting events and marketing the cooperative, was done by the members. In

2009, the co-op hired a part-time staff person to help with the administrative work. However, this arrangement only lasted for about a year (Keystone Development Center, 2010).

Benefits and Successes

The interviewed owners articulated numerous successes and benefits that were realized through being members of the cooperative, but the most frequently referenced benefit was the general support of the other members of the co-op. Whether it was being able to call a fellow member to vent frustration with staff, or to ask for advice, or to borrow espresso beans in a pinch, members were able to lean on each other for support. The cooperative had a listserv set up so that members could easily ask each other questions and share their experiences. One owner discussed how members helped each other develop tools for employee evaluations and applications, and how in general, when one person found a tool or a service that they felt benefited their business, they would share the information with the group. Another interviewee summed up this feeling of mutual support by saying "the thing that was always inspiring about it was that a group of people took a situation where most people feel threatened, most people look around and see their competitors as a threat… and instead of looking at that as a threat, they looked at it as a possible strength."

Most interviewees also mentioned some minor cost savings as a benefit. While the cost savings from Equal Exchange and the paper distributer went directly back to fund the cooperative in the form of rebates, other vendors had negotiated discounts or free shipping. One owner discussed how a deal had been worked out through the co-op with an espresso machine repair company, which resulted in both saving the owner money and making the owner more comfortable with the person repairing the machines.

The branding of the cooperative was seen to be highly successful by many of the respondents. As one member put it, “I think that our successes were in branding and always having a clear message, and being able to communicate that well.” One member points out, concerning their increase in membership, “People all came to us, we never solicited for members. Internally we were somewhat dysfunctional but on the outside we were very popular. Coffee shop owners would see our name out there in the community and approach us wanting to be members” (Keystone Development Center, 2010). The success in branding also led to good publicity for the cooperative which in turn led to the promotion of each of the businesses.

One final major benefit that members received came as a result of their relationship with Equal Exchange. Equal Exchange invited members on a couple of trips to visit coffee farmers in both Nicaragua and Peru. Furthermore, Equal Exchange developed a brand of coffee exclusively for the co-op, called Independents Peruvian Select. This coffee came directly from the coffee farms that the members had visited in Peru. Equal Exchange also arranged for two of these farmers to visit Philadelphia. The farmers stayed with the members of the Independents Coffee Cooperative for a week, allowing the coffee shop owners to develop a relationship with the farmers that grew their coffee. The farmers were also able to participate in a panel hosted at InFusion, creating a remarkable opportunity for a dialogue between the farmers, coffee shop owners, customers and Equal Exchange employees (Symons, 2007).

Barriers and Weaknesses

In addition to the variety of benefits associated with the cooperative, the co-op faced struggles as well. The majority of interviewees cited the cooperative's infrastructure (or lack thereof) to be one of the major barriers the co-op ran into. Since there was no paid staff to do any of the work, members of the cooperative had to find the time to run the co-op in addition to managing their own businesses. As one member put it, "The thing is, the co-op was another business and needed to be run like one" (Keystone Development Center, 2010). However, running a small business can be very time consuming and owners often struggled to find time to devote to the cooperative. Even though there were requirements as to how many meetings per year a member needed to attend and that all members put in a number of hours working at cooperative events, many people were so busy that these requirements often remained unmet. One member stated, "Because all of us have our own stores to run and our own busy lives, it was easy for the co-op to fall to the bottom of the list" (Keystone Development Center, 2010). Another described the situation by saying, "We were all small business owners with competing priorities, and all feeling often very over worked and very overwhelmed."

It also quickly became clear that there were differences in capacities of members to commit time to working on the co-op. Some owners were running their stores alone, while others had partners to share the responsibilities. A couple of owners were starting families in the early years of the cooperative, and that added additional competing priorities. Additionally each business had varying levels of success; some were struggling to stay afloat, while others began opening additional locations, and each situation came with its own set of complications and priorities. As a result, most of the work fell on only a couple of members. This dynamic was very difficult for the minority on which the work fell, especially since they were not being paid to do the work. These members began to feel taken advantage of and resentful. Conversely, members who were not contributing as much still felt like there was nothing more that they could do because of the multiple other demands on their time. One member expressed the need for additional infrastructure by saying, "At some point any one of us needed to be able to step back because there were other things going on, opening a new store, starting a family, there needed to be some sort of infrastructure in place to be able to allow for that."

Another major barrier that was identified by nearly all members was that the cooperative as a whole struggled to clearly communicate its expectations of members. Partly because of the success the cooperative had in branding itself, from an outsider's perspective it looked like it ran smoothly and required little extra work. Many new members came to the organization with the impression that they would just have to pay their dues and not put in additional effort. However, as previously discussed, this was not the case, and the cooperative realized that it was not communicating to its new members the extent to which a time commitment from each member was necessary in making the organization function. As one member said, “I think we communicated the vision, I don’t think we communicated the expectations.” Once the co-op realized that there was a lapse in communication they tried to better articulate what was needed of each member. However, members did not see this translate into work getting done, and ultimately the cooperative ended up losing some new members as a result of this lack of communication (Keystone Development Center, 2010).

Interviewees also cited difficulties getting the members to agree on things, especially as the cooperative expanded to include new members. One owner described it as “virtually impossible to really do anything as a group, and make any decisions as a group.” One example of this difficulty hinged on the cooperative’s joint marketing initiative. One of the interviewees talked about the conflicts that developed relating to where to place ads for the co-op, saying “Coffee shops are such a neighborhood entity, so there was always a little bit of push and pull, like where’s the best spots to place things, you know, City Paper and Philadelphia Weekly are kind of obvious ‘cause we all carry those papers in our stores, but who’s your target audience?” Another stated that a couple of newer members could not get on board with the idea of joint marketing, wanting instead for the marketing to be devoted to promoting the individual stores rather than the cooperative brand.

Additionally, there had been some discussion of trying to cut costs by hiring a salaried, full time bookkeeper for each member’s use. However, this proved to be difficult because the members did not all use the same bookkeeping system, and no one wanted to switch over to a new system. Though it would have saved money in the long run, the idea proved too difficult to implement because of the inability of member businesses to agree on how to make it work.

Furthermore, the cooperative members struggled to come to an agreement on which vendors to use in order to negotiate bulk purchasing deals. Rebates were set up through Equal Exchange and Lap Distributers, but as new members joined there was no requirement that they purchase through these preferred vendors and some members opted to stick with the suppliers that they previously used. This was particularly detrimental to the cooperative since these rebates were a major source of funding to the organization. Lack of agreement about which suppliers to use also seriously limited the cooperative's capacity to negotiate discounts with other vendors. If the cooperative could not commit to purchasing a large volume of product from the suppliers, the suppliers were not interested in discounting their prices.

The general structure of the cooperative was also mentioned as a possible barrier to the group's success. As previously stated the cooperative was funded in large part by rebates on purchases that the members made, and because of this, the businesses that had additional locations, and did the most purchasing were contributing significantly more financially to the organization, which became frustrating for some. Conversely however, some of the smaller businesses had expressed feeling that the larger companies were really driving the direction of the cooperative and looking out for themselves.

There were also some conflicts concerning the financial return the businesses received through being members of the cooperative. The co-op was structured as a non-profit, which meant that funds received but not spent on co-op activities, events or marketing could not be distributed back to members the way it might in a for-profit cooperative. Also, between the rebates from Equal Exchange and Lap Distributers going directly to the cooperative and the difficulty getting members to agree on vendors in order to negotiate additional discounts, some members felt that there was not as much of a financial benefit as there might have been. One member expressed uncertainty that the discounts the members were receiving through the cooperative were not discounts that they could have negotiated individually. This, when paired with the increase in dues to $500 per year and the time commitment needed to keep the cooperative running, left some businesses questioning whether their membership was worthwhile.

A few members also felt that as the cooperative grew it began to move away from some of the initial networking and support that had defined the initial informal cooperation. A couple of members said that they felt the cross-promotion of members and information sharing and support declined as the cooperative formalized and became more structured, even though these were the very things that they felt were the greatest benefits for their business. One member suggested that the mission statement might have been partially to blame for that, saying "I think our mission was bigger than we thought it was. We needed a more focused, workable mission that really drew more of a line about what we were taking on. If we wanted to be more of a networking club with four events a year and functional list serv, then that is what we should have written for a mission statement. Instead we had a broad mission with many interpretations and very little energy for this large mission" (Keystone Development Center, 2010).

Dissolving the Cooperative

In late 2008, members began discussing how the cooperative was functioning, what people saw as the major problems, and how the co-op might be restructured slightly to alleviate some of the identified issues. "People cited too many meetings, poor attendance, lack of initiative in getting work done, and the burden of 'admin'" as some of the major concerns (Keystone Development Center, 2010). As a result of this discussion, the cooperative hired a part-time administrative staff person, and tried to limit meetings and restructure the remaining tasks through working in committees. Unfortunately when they hired the administrator, as one member put it, "It gave members another reason to check out" (Keystone Development Center, 2010). The administrator struggled to get members to respond to her when she reached out looking for events to promote, and very few members showed up at the major event she organized (Keystone Development Center, 2010). The board decided to put things on hold for 2010 in order to evaluate the cooperative, and see how members felt with a less formal relationship. No dues were collected that year, and in November the cooperative was formally dissolved.

Where Are They Now

Each of the interviewees said that they continued informally cooperating with each other after the cooperative dissolved. There continues to be information and resource sharing between the former members, and many described it as essentially going back to the same informal working relationships they had before the cooperative began. Members continue to informally promote each other to their clients. In one instance, a shop had been hosting a poetry evening that had finally outgrown the space available at that coffee house. The owner expressed the desire to "keep it in the family" and worked to connect the organizers of the poetry night to former co-op members to see if their shop would be a better fit.

In addition to the continued cooperation between members, many of the vendors the members worked with through the cooperative have continued to offer the same discounts and preferred prices. In the case of the two vendors who provided the cooperative with rebates, the rebates have continued in the form of discounts given directly to the individual businesses. Though the cooperative has formally dissolved, the efforts that the members put in during the cooperative's existence are still paying off.

CHAPTER 5 – ANALYSIS

The Independents Coffee Cooperative case study provides a number of insights into the capacity of cooperation to help SMEs overcome some of the major barriers to environmentally and socially responsible business practices. The fact that the cooperative has recently formally dissolved allows for additional analysis of the barriers that can arise with such initiatives. This chapter will discuss the degree to which the Independents Coffee Cooperative met the characteristics of a values-based CPO, and examine how the Independents Coffee Cooperative was or was not able to address some of the major barriers to CSR efforts in SME that were detailed in Chapter 2. In addition, it will look at the ultimate viability of the model of this cooperative, and discuss some of the lessons that can be learned from this case study.

The Independents Coffee Cooperative as a CPO

In order to fully understand the Independents Coffee Cooperative and its potential to be used as a model for future cooperatives, it is important to identify which components of this cooperative are particular to standard CPOs, and which are unique to this organization. The basic purpose of a CPO is to combine the purchasing power of individuals or organizations in order to negotiate reduced costs for each member. The Independents Coffee Cooperative did do some of this, as they collectively purchased coffee and paper products. However, unlike most CPOs, most of the savings went back to the cooperative rather than the individual businesses in order to fund some of the values-based components of the cooperative such as educational outreach. Additionally, the cooperative went another step beyond a standard CPO by focusing their cooperation on more than purchasing. They supported one another through sharing information and cross promoting each other, areas that many standard CPOs do not focus on.

Since the Independents Coffee Cooperative incorporated elements that went beyond a standard CPO's goals, it was important for the cooperative to be able to prioritize the multiple components of the program, and it was in this area that they really struggled. One owner suggested that the mission statement was too broad, and needed to be more focused (Keystone Development Center, 2010). Though this member put the onus on the mission statement, Jacobs and Kapuscik's (2000) definitions of a program's mission, goals, and objectives, would suggest that the mission was not the ultimate problem. Jacobs and Kapuscik define a mission statement as a "description of the ideal, a dream for the future, what a certain piece of the world would look like if you were in charge. It usually contains goals that are likely not attainable in our lifetimes" (pg 68). Using this definition, the mission statement articulated by the ICC[3] was by no means too unfocused. Rather, the larger issue was in the development and prioritization of the program's goals and objectives. Jacobs and Kapuscik define goals as "broad statements of purpose, of desired effects on program recipients or participants. But they are more specific than missions and as such are thought to be achievable, to some noticeable extent, in the foreseeable future" (pg 68), while objectives should be "very specific statements of desired, generally short-term

[3] "to support the viability of independent coffee houses, increase the sale of Fair Trade and organic coffee in the Philadelphia region and to educate consumers on fair-trade and sustainability issues" (www.independentscoffee. com)

effects. They are always stated in measurable terms, often as behaviors to be observed, skills to be developed, or numerical benchmarks to be reached" (pg 68). The Independents Coffee Cooperative did not develop specific goals or objectives for their organization, and ultimately the businesses were not able to act as a whole to set collective priorities. The businesses were not completely clear going into the process what their goals and objectives were, and years after the initial development of the cooperative, there were still differences of opinions between the members as to whether the priority of the organization should have been CPO-based savings, or outreach and marketing, and even whether marketing should be co-op focused or café focused.

CSR and The Independents Coffee Cooperative

Chapter two discussed a number of different types of CSR, including addressing either the direct social or environmental impact a business has, or addressing the impacts of its supply chain through enacting socially responsible purchasing (SRP) or ethical sourcing policies. The Independents Coffee Cooperative as a whole mostly focused on the latter efforts of SRP and ethical sourcing through purchasing Fair Trade and organic coffee. The cooperative also considered the businesses' direct social and environmental impact to some lesser extent through purchasing recycled paper products and talking to each other about the steps each of the individual businesses were taking to become more socially and environmentally responsible.

As mentioned previously, the cooperative struggled to agree on important points and set priorities. This also affected the capacity of the cooperative to collectively address CSR issues. The only measure that members were able to agree on was the use of Fair Trade organic coffee. Beyond that, each business (and sometimes each owner within the business) had differing opinions on which aspect of social or environmental responsibility they wanted to focus on, and how much of a commitment they could make to such efforts.

Individual businesses took on additional efforts beyond the ethical sourcing associated with the cooperative to improve the direct social or environmental impacts of their business. Some businesses focused more on the environmental impact of their businesses through offering discounts to customers who bring their own reusable mug, or by purchasing wind power. Others implemented more socially focused measures, such as making it a priority to pay their employees a living wage. All of these were individual steps that the businesses took, but were not directly related to the cooperative. However, this is not to say that the moral support, or the potential cost saving that came from the cooperative might not have played a role in the capacity of these businesses to undertake theses measures.

The Independents Coffee Cooperative and Barriers to CSR in SMEs

A number of the most frequently referenced barriers to CSR efforts in SMEs came up in discussions with the individual members of the Independents Coffee Cooperative. The aspect that was most effectively addressed through the cooperative was the information and expertise barrier. Each of the members interviewed suggested that the ability to share information with each other and turn to each other for support was one of the most valued and successful aspects of the cooperative. The businesses shared information on many things, from how to deal with staffing issues and what vendors they liked, to shared tools and services that they felt like could benefit the other businesses. The focus was not specifically on sharing information on CSR, but rather on increasing the viability of the member businesses. However, owners mentioned that they did communicate about some CSR related measures such as how to communicate the importance of Fair Trade and organic coffee to their customers, and the infrastructure was there if any of the businesses wanted to use the cooperative more in that way. There was a listserv with which owners could quickly and easily contact the other members to ask questions, and members were quick to share any information they had that could increase the viability of any of the other businesses.

Another frequently referenced barrier to CSR efforts involves financial concerns, a concern that was echoed by members of the Independents Coffee Cooperative. While these members tended to be committed to the triple bottom line, and every member interviewed noted that environmental and social factors were considered in most day-to-day decision making, most owners also noted the importance of balancing the social and environmental aspects of their business with profit. The cooperative was able to address some of the financial aspects of CSR efforts, specifically SRP and ethical sourcing efforts, through cooperative purchasing and negotiating discounts and rebates for the members. However, the negotiated rebates went directly back to the cooperative, rather than to the individual businesses. One founding member commented, “Maybe it would have worked better if we just had that discount go directly back into member's pockets." Another posited that having more businesses involved could have increased the cooperative's ability to negotiate price reductions, but reiterated the difficulty of negotiating significant discounts with only a handful of stores willing to commit to one vendor. In addition, because of the non-profit status of the cooperative, any money that remained after marketing and other administrative expenses could not be redistributed amongst the members. Though there were additional discounts that were negotiated, at least one member was left unconvinced that these discounts covered the $500 dues and the time and energy required of members to keep the co-op operating. In the end, though the basic infrastructure was in place to reduce some costs for the members, the bulk of the cost savings were not going directly to the members, but instead to fund the co-op's marketing and outreach efforts. As a result the Independents Coffee Cooperative model did not provide the cost savings that a standard CPO might have, and was not able to provide such significant cost savings as to truly overcome the financial barriers to social and environmental responsible practices.

Another barrier to CSR in SMEs that came up in this case study is that of the time and human resources required for implementing such efforts. This barrier proved to be just as much of a hurdle when addressed by the cooperative as when addressed by individual businesses, and perhaps even more so. All of the interviewees mentioned that one of the biggest barriers they saw facing the cooperative was the time commitment necessary to keep the cooperative running. In this instance, it seemed that the time resources involved with running the cooperative outweighed many of the benefits that might have been gained through collaboration.

The issue of inadequate infrastructure is a barrier that did face some of the businesses, but was not directly addressed by the cooperative. An example of this was provided by one owner who discussed how there was no infrastructure available for composting when her shop first opened. Instead, her business encouraged community members to leave buckets at the store which would be filled with coffee grounds, and could be retrieved weekly. Though this barrier was not addressed by the co-op, the structure of the cooperative was such that it could have allowed for collaboration around this type of barrier. In this instance, the shops could have pooled their resources and sent their collective compost to a local farm.

Finally, the attitudes and priorities barrier was much more prevalent than hypothesized earlier. While each of the member businesses were already committed to undertaking some efforts to improve their environmental and social impacts, they were not necessarily able to agree on which measures were important to focus on. Amongst the businesses interviewed there were varying levels of commitment to CSR efforts. One business owner expressed the need to make sure the business was profitable before the business could take on CSR efforts. Another owner commented, “We have often made choices where we will prioritize local, high quality product over price. In fact I would say across the board we do, because I would never go for the cheaper product if it wasn’t healthful for myself and my patrons.” Disagreements like this between the businesses, and even within some businesses themselves, indicates that the members did not share the same attitudes and priorities regarding CSR efforts. The one priority that they did share was the use of Fair Trade organic coffee, and it was around this principle that the cooperative was able to coalesce.

Viability of Model

Ultimately, the cooperative model developed by the Independents Coffee Cooperative was unsustainable, and eventually the members made the decision to dissolve the cooperative. Discussions with a number of members revealed that there were a number of major obstacles that the co-op faced, and eventually led to its disbanding. These problems included the time commitments necessary to run the cooperative, the lack of infrastructure, the inability to get members to agree on important issues, miscommunication of expectations to new members, concerns over financial returns on participation, and the fact that the bulk of the work fell on just a few people.

There were a number of different opinions within the cooperative as to whether a similar model could be viable with another group of businesses. One member was quite pessimistic about the possibility citing how busy small business owners are, as well as the difficulty the cooperative faced getting members on the same page, as reasons why a similar cooperative would not be feasible. The member said “business owners typically have their own opinions and their own way of doing things… that’s why you’re a business owner, they don’t want to work for someone else”. In particular, this owner felt that unless the cooperative were completely restructured as essentially a franchise model, there was little chance for success.

Other owners, however, felt that with some upfront awareness of the issues to be faced, a group of businesses could overcome these potential problems. One often made comment was that it would have helped if members had been more aware upfront of the time commitment involved with running a cooperative. As one owner commented, “I think that anyone that’s going into a cooperative or thinking about a cooperative model should really give a lot of thought to what it actually means and probably really familiarize themselves with cooperatives. I believe very strongly in the co-op model, I think that it’s great, but I think that it takes a little bit of work to make it function.” In the end, running the co-op was akin to running an additional business, and the members were not prepared for this commitment at the outset of the venture. One member articulated the benefit having staff might have had in this regard, saying, “In hindsight I think we really needed to have a paid administrator from the beginning” (Keystone Development Center, 2010).

Another member emphasized the importance of being very clear up front about the requirements of membership. This sentiment was reiterated in an interview with Keystone Development Center when one founding member said, “I think it is particularly important to have training and a manual for new members. You really have to be explicit about expectations and requirements of membership with new members; it’s not just about paying dues and attending meetings; there is real work involved” (Keystone Development Center, 2010).

This is of particular importance in a CPO where the success of the organization depends on the commitment of the members to use the preferred vendors in order to negotiate lower prices through buying in greater bulk. This was all the more important to the Independents Coffee Cooperative, where their budget relied on the rebates they were receiving through a couple of these preferred vendors. Though effective communication of expectation is crucial for cooperatives, it is important to note that in order to communicate these expectations the cooperative must first be clear about its ultimate goals and objectives as this information needs to guide the expectations of membership.

A couple of members discussed how the addition of new members impacted the co-op. One member felt that the organization was grown prematurely, and thought that waiting until more concrete expectations and requirements for membership were able to be articulated could have helped the viability of the cooperative. Conversely, another member felt that the cooperative would have been more viable if there were more businesses involved, allowing for more even distribution of the work, and providing additional funds for hiring a staff person to support the work. In either case, it is clear that the cooperative needed to have a better plan for the introduction of new members into the co-op.

The finances and structure of the Independents Coffee Cooperative were seen by some members as an area where additional improvements could have been made. One member expressed frustration with having to abide by the non-profit guidelines, suggesting that having the cooperative be structured as a non-profit entity just did not make sense. Another suggested that perhaps the model would have worked better if the rebates were restructured as discounts. A different owner, however, suggested that major cost savings were available, but that other businesses did not take advantage of them they way they could have.

Where some of the members cited a low financial return as a failing of the cooperative, it is important to note that a values-based CPO that includes any educational outreach or marketing efforts cannot have the same financial return as a basic CPO because of the added costs associated with the efforts. In the end, the financial and structural questions boiled down to the cooperative's inability to set priorities, and communicate them to new members. For example, if a major priority of the organization was to save money, it would have been important to focus on negotiating discounts with potential vendors, and making it a clear expectation that all members use these preferred vendors as a requirement of membership. Ultimately, though it may not have been the ideal structure, it was not the structure of the organization that posed the biggest obstacle for the cooperative, but instead it was the inability of the members to set collective, shorter term goals and objectives.

Many of the members interviewed mentioned that one aspect they thought was critical in the successes that they did have as a cooperative was the involvement of Equal Exchange. This larger organization had a stake in the cooperative, since it promoted both their coffee and the cooperative model, and they were able to use the resources they had to help guide the Independents Coffee Cooperative through the start-up process. Equal Exchange was able to bring financial and information resources to the cooperative, and worked to facilitate many of the initial conversations that led to formalizing the cooperative structure. One member felt that finding an umbrella organization that was so clearly a values match and stood to gain from the cooperative's existence was invaluable in forming the cooperative, as Equal Exchange was able to provide some of the infrastructure that the smaller, individual businesses did not have. However, it is also possible that the involvement of Equal Exchange was a disadvantage to the organization as well as an asset. The structure that many members previously suggested was not quite right for the co-op, though put in place by the consultant hired to help incorporate the co-op, was developed with some input from Equal Exchange. If Equal Exchange had not been involved, it is possible that the cooperative may have come up with an alternate structure for their organization that might have worked better for them.

Ultimately, it seemed that for this organization, the informal cooperation was more viable and beneficial to the member businesses than a formalized cooperative. As one member stated, "I just think there's a way to do a lot of what we were doing without it having to be a formal organization too." Formalizing the cooperative added conflict surrounding the organization and structure of the co-op, and led to what one member felt was unnecessary time spent dealing with these issues.

Chapter 6 – Conclusions and Recommendations

Though the Independents Coffee Cooperative eventually dissolved, it is an informative model to examine and provides a number of important insights into the initial research questions proposed. This thesis set out to examine the impact a values-based cooperative could have on the members' capacity to address CSR efforts. The preceding analysis illustrates how one group decided cooperation could improve the viability of collaborators and lessen some of the barriers that inhibit CSR efforts. Unfortunately, the group also came to the conclusion that cooperation can also heighten or create barriers, making collaboration a less clear cut solution to improving CSR efforts in SMEs.

The case study of the Independents Coffee Cooperative helps to illuminate what attempts have been made to use cooperative buying power of small independent coffee shops to become more socially responsible. The Independents Coffee Cooperative grew from initial informal cooperation into a formalized cooperative purchasing organization that included an additional joint marketing aspect. The cooperative focused their CSR efforts on ethical sourcing, collectively purchasing Fair Trade organic coffee as one way to increase the social and environmental responsibility of each of their businesses. Members also helped each other determine how best to communicate the benefits of Fair Trade organic coffee to their consumers. The cooperative's marketing and outreach efforts were funded through rebates negotiated with coffee roaster Equal Exchange and paper distributer Lap Distributers.

The co-op was able to provide modest financial benefits with additional negotiated discounts and free shipping from some vendors. Though the financial returns were not large, the infrastructure developed might have led to greater discounts if members had been able to commit to the same vendor, or if more businesses had been involved. However, the financial benefits of the cooperative were somewhat masked through the use of rebates and dues, the organization's non-profit status, and the use of co-op funds to market the cooperative and finance events that promoted consumer education on Fair Trade coffee.

The case study articulates a number of obstacles the Independents Coffee Cooperative ran into over the course of its existence. The time and human resources needed to support the cooperative in their mission ultimately became too much of burden on the members without adequate infrastructure to support the co-op. Additionally, the cooperative faced difficulties in communicating expectations of the time commitment involved to new members, straining the relationships between the members. Members also struggled to agree on important issues such as what the end goals of the cooperative should be and how to go about achieving those goals. Members had different concepts of what the co-op's priorities should be; whether it should be to brand and market the cooperative while promoting Fair Trade, or to focus on creating a direct financial return to the members.

This thesis also examined whether members saw benefits to cooperation beyond the financial. Interestingly these benefits ended up being the most successful aspects of the cooperative. The cooperative was very successful in sharing information that increased both the viability of the member operations and member knowledge about Fair Trade. Members found that the ability to call on each other for support and discuss difficulties they were running into to be the most valuable aspect of cooperation.

Finally, this study aimed to determine some best practices or recommendations to provide businesses looking to start similar values-based cooperative initiative. One of the aspects of the Independents Coffee Cooperative that allowed for some of the successes it did have was the involvement of a larger umbrella organization with additional resources (both financial and informational). However, this involvement of another organization may have also hindered the cooperative's natural development. For businesses looking to start a similar effort, it may be useful to identify an organization that could provide additional resources for the cooperative, especially during the start up period.

For this group of businesses, the process of sharing information resources was identified as being one of the most valuable aspects of the cooperative for all of the people involved. This was one of the actions the cooperative took that appeared to be most viable in the long run as it required little additional time and effort on the part of the other business owners, and no additional structure beyond the informal collaboration the businesses started with. It is the only aspect of the cooperative that has actively continued since the cooperative dissolved. The information sharing piece of the cooperative can definitely be used as a successful model for other businesses interested in collaboration

Further recommendations stem from looking at the barriers the Independents Coffee Cooperative ran into, and planning for ways to address them. Through examining this case study it became clear that developing and prioritizing comprehensible goals and objectives is one of the most important things for a developing cooperative to do. Furthermore, these priorities need to be clearly communicated to new members, and all members need to be on board with the cooperative's strategy for implementing these goals and objectives. It is also vital for the cooperative to understand fully what work needs to be done to keep the co-op running, and to plan for how this work will get done. Depending on the amount of time and resources required to run the cooperative, it may be useful to consider the addition of administrative staff. Finally, it is essential that the cooperative determine at the outset what expectations it has of its members. These expectations need to be clearly communicated to all members from the start, and must fully reflect the cooperative's goals and objectives.

Limitations

There are a number of limitations to this study that should be noted. Firstly there is limited literature available on this topic. Academics have only recently started to address SME specific barriers to CSR efforts, and it is even rarer to find literature on how one might overcome those barriers. Cooperation between potentially competing businesses to address collective obstacles is also a topic that is infrequently researched. Since this topic is relatively new, much more research is necessary in order to better understand what measurable benefits might come from cooperation, and how to successfully implement and structure such a program.

In addition to the lack of literature on business cooperation to improve CSR practices, there are very few examples of its use in practice. While there are numerous cooperative purchasing organizations, and even some CPOs that are directed towards increasing the viability of independent businesses, there are very few examples of businesses that form cooperatives as a means of addressing CSR efforts. Even the Independents Coffee Cooperative was not designed expressly to address general CSR issues, though its mission statement does mention increasing sales of Fair Trade and organic coffee, as well as educating consumers about sustainability issues. This cooperative was certainly more interested in CSR efforts than one that operates strictly as a cooperative purchasing organization would be, as it focused on ethical sourcing, but it had other goals in mind beyond furthering the capacity of the businesses to become more socially and environmentally responsible. Since there are very few, if any, ideal examples of this theory in action, it is difficult to truly understand what impact a program like this might ultimately have on small businesses.

Recommendations for Further Research

There are a number of avenues for further research to fill in the aforementioned holes in the literature. An economic analysis of possible cost savings could provide a better understanding of potential financial benefits of such an organization. Further analysis (both qualitative, and quantitative when possible) on the possible impact of collaboration on social and environmental issues would also be valuable. This analysis however, would be most useful if preceded by a quantitative analysis of the impact of SMEs on the environment, an analysis that has yet to be done.

Further qualitative analysis could also provide important information on this topic. One such study might involve comparing the perceived and measured benefits of a more values-based organization like the Independents Coffee Cooperative to the perceived and measured benefits of a strictly cooperative purchasing organization. This could be used to determine the relative merits and difficulties of each model, which could help organizations determine which model is the best fit for their needs and goals. It would also be interesting to see if there is either any formal or informal cooperation organized by an umbrella organization such as a Buy Local network that could be studied in order to determine if the model is more viable in the long run than the Independents Coffee Cooperative. Finally, it would be worthwhile to understand how, or if, a values-based cooperative might benefit non-retail based SMEs. Many SMEs are in the service industry and businesses in this sector would face a very different set of benefits and barriers to cooperating around CSR efforts than these coffee shops did.

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APPENDIX A: INTERVIEW REQUEST

Dear _____,

I am a graduate student at Tufts University in the Department of Urban and Environmental Policy and Planning, and am writing a thesis on how small businesses can collaborate in order to become more socially and environmentally responsible. While working at the Sustainable Business Network a few years back, I learned a bit about the Independents Coffee Cooperative. Although I know it has recently formally dissolved, it was an interesting and instructive initiative, and I was hoping to use it as a case study in my thesis.

I will be in the Philadelphia area in a few weeks, from April 2nd through the 5th, and would like to arrange a time to sit down with you for approximately 30 minutes and talk about your involvement with the Cooperative, the ways in which it may have benefited your business, and the barriers you ran into. The hope would be that ultimately this information could be useful to other businesses looking to start a sustainably minded cooperative purchasing organization. Though it would be preferable to talk in person, I would also be happy to talk by phone as well if you are not available during those few days.

Since there is a limited number of possible participants for this research project, your willingness to help is very important to its success. As to how the information will be presented, no statements you make will be explicitly linked to you, and the information you provide will be used only for this project.

If you would like any further information, feel free to contact me (either at rowan.spivey@tufts.edu, or 207-751-0730) or my thesis advisor at Tufts University, Penn Loh (at penn.loh@tufts.edu, or 617-627-3394).

Please let me know if you would be available to talk anytime between 4/2 and 4/5, or if I could contact you by phone at another time. Thank you in advance for considering this request; I really appreciate it.

Rowan Spivey

APPENDIX B: LIST OF INTERVIEWEES AND DATES OF INTERVIEWS

Cesa, Joe. Owner, Joe’s Coffee Bar. In-person interview on April 4, 2011.

Dye, Jocie. Owner, InFusion. In-person interview on April 5, 2011.

Fink, Jill. Owner, Mugshots CoffeeHouse and Café. Phone interview on April 7, 2011.

Taylor, L.J. Sales Representative, Equal Exchange. Phone interview on July 5, 2011.

Vendetti, Angela, Owner, Mugshots CoffeeHouse and Café. In-person interview on April 4, 2011.

APPENDIX C: PREPARED INTERVIEW QUESTIONS

- How did the Independents Coffee Cooperative start?
- Did the cooperative make joint purchases other than coffee?
  - Probe
    - If so, were these purchases also made with social and environmental responsibility in mind?
- What was Equal Exchange's role in ICC's purchasing?
- What was the management structure of the ICC like?
  - Probes:
    - Who made decisions?
    - Were responsibilities shared equally between member businesses?
- What do you see as the main barriers the cooperative ran into?
- What were the main elements that facilitated the development of the ICC?
- How does sustainability/CSR/triple bottom line factor into your business's business model/values?
- What are the benefits you had hoped would result from joining the cooperative?
  - Were these benefits realized?
  - Were there additional benefits that you experienced that you did not expect?
  - Probes:
    - Were you able to save money through purchasing coffee through the coop? If so, can you approximate how much?
    - Were the member businesses able to share resources or knowledge/information regarding social and environmental responsibility in their business practices?
- What would you have liked to see the cooperative do that it didn't?
- Where were its main weaknesses?
- What were the primary barriers your organization in particular faced with the ICC?
- How do you plan on cooperating with the other former members now that ICC has dissolved?
- What advice might you give to a group of businesses looking to form a similar cooperative? What worked well, and what would you do differently?
- Is there anything else you think would be important to know about the ICC?

APPENDIX D: FOUNDING COFFEE SHOP LOCATIONS