How large-scale companies and social enterprises improve the sustainability of their partnership?

The case study of IKEA and Doi Tung social enterprise in Thailand

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Abstract

Nowadays consumers have become more and more socially conscious because of the rising concern about social and environmental issues. In this context, large scale companies are one of the main actors which are required to increase their efforts. They have increased the amount of charity actions or philanthropic collaboration in the latest years but both have shown limited effects and benefits especially on the long-term.

This research is treating a new kind of partnership between large scale companies and social enterprises which is based on a true business approach with a long-term strategy. This new type of partnership requires a higher effort for its sustainability on the long-term and there was a gap in the literature when it comes to that point and it is this gap that this research aims to fill.

The research was conducted through the analysis of a case study about the partnership between IKEA and Doi Tung, a social enterprise based in Thailand.

Through semi-structured interviews conducted with both parts, it was possible to point out the challenges faced by large scale companies and social enterprises during their partnership but also to highlight four keys aspects which ensure the sustainability of this type of partnership: partnership selection and preparation, partnership driver, partnership nature, and partnership adaptation.

The research contributes to the knowledge in the area of entrepreneurship and practical knowledge on the corporate-social enterprise partnership.

Keywords: corporate-social enterprise partnership; social enterprise; partnership sustainability; business strategy
Acknowledgement

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1. Terms and abbreviations

1.1 Terms

- Social enterprise: an organization that is established for social purposes and engages in trading to fulfill its mission, using market-based techniques to achieve social goals (Talbot et al., 2002)

- Social entrepreneur: a mission-driven individual who uses a set of entrepreneurial behaviors to deliver social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable (Abu-Saifan, 2012)

- Social entrepreneurship: qualities of a social entrepreneur

- Philanthropy: an effort that an individual or organization undertakes based on an altruistic desire to improve human welfare (Investopedia, 2017)

- Corporation: large scale company or group of companies authorized to act as single entity separate and distinct from its owners (shareholders) (Business Dictionary, 2017)

- Corporate social responsibility: a business practice in which a corporation takes responsibilities of their business activities on all stakeholders in society including environment (Ismail, 2009).

- Corporate - social enterprise partnership: the partnership between corporation and social enterprise (adapted from Di Domenico et al, 2010)

1.2 Abbreviations

- BOP: Bottom of the Pyramid
- CSR: Corporate Social Responsibility
- CSV: Creating Shared Value
- KPI: Key Performance Indicator
2. Introduction

Technological and industrial dynamics have transformed people’s lifestyles tremendously. Just in the past few years, the so-called ‘fourth industrial revolution’ has rapidly blurred the boundaries of digital and physical worlds. 3D-printing, intelligent robots, self-driving cars, big data, augmented reality have become more mainstream. This huge transformation greatly affects world’s societies and economies (Singh, 2016). One of the critical factors that lead to the recent technological and industrial disruption is the private sector. Due to their massive resources, i.e. knowledge, people, money, the sector injected huge investments on the innovation advancement to create their competitive advantage.

On the other hand, the industrial dynamics has also accelerated many social issues and has led to an urge for innovative solutions. The inequality gap between the rich and the poor is widened whereas the scarce natural resources are continuously exploited. In 2015, UN Sustainable Development Goals raised 17 social issues which are critically important for humanity and planet to be addressed within the next 15 years. For example, poverty, food security, energy scarcity, non-sustainable consumption and production, etc (United Nations, 2015).

In response to a rising number of social issues, the world’s consumer trend is also moving towards socially conscious consumption and many corporations attempt to involve in the world’s sustainability challenge. According to 2013 Aspirational Consumer Index, over one-third of the global consumers (36.4%) have desire for responsible consumption while over 50% of them have trust in the brand which acts for the best interest of society (BBMG, 2013). In the private sector, Corporate Social Responsibility (CSR) has also been introduced to the economy for over 50 years (Katsoulakos et al., 2004).

There are numerous ways for a business to do CSR. It becomes a common practice in private sector while its effectiveness is still on debate. Generally, CSR is aimed to serve stakeholders interests and reduce the environmental footprint from the business operation. CSR has become a movement in many countries for private sector to adopt it as a business practice which required corporates to integrate CSR initiatives to business strategies. Nonetheless, CSR has been widely criticized as a tool for corporates to create overly positive image by only taking small actions (Dudovskiy, 2012). Moreover, CSR activities implemented by some businesses also contradict with their practices. For instance, a multinational corporation raises the equality and fair-trade issues in its workplace but, at the same time, actively seeks for outsourcing to low-cost production in developing countries where equality in the workplaces is not guaranteed. Because of this ambiguity, the social impact of CSR versus the benefit of corporates are still on critics (Dudovskiy, 2012).

Another big corporate trend to tackle social issues is the transformation of capitalism towards creating shared value, i.e. creating economic value while creating value for society by tackling the social needs (Driver, 2012). The concept views business and innovation as a critical tool to address the pressing social needs. Consequently, the term ‘social enterprise’ and ‘social business’ has also been developed to refer to capitalism with good purposes. For instance, while applying business methodology to maintain financial sustainability, the main
mission of a social enterprise is to address social or environmental issues (Social Enterprise UK, 2012). Though many social enterprises have proved their performance in tackling social problems, the industry is growing at a limited pace due to many factors, e.g. inability to scale due to inadequate funding, infeasible business model, inability to apply innovation framework, limited business connections (Rykaszewski et al., 2013). That is, social enterprises tend to lack business scalability and hardly compete with the larger corporations because of insufficient business resources.

Apparently, there is a missing connection between the potential resources of corporate sector and social enterprises which slower the pace of addressing social challenges. There are existing studies on the possible new supports from corporate sector that can contribute to the society; mostly in the form of philanthropy and pro bono. However, the ‘creating shared value’ concept leads to an interesting approach in which corporations can collaborate with social enterprise to share their resources for both benefits, instead of a giver-taker relationship.

Nowadays large-scale companies and social enterprises are meeting at a crossroad. Creating partnerships between each other appears to be a long-term solution with benefits for both parts. Indeed nowadays, with the growing consciousness of their customers for environmental and social issues, large scale companies must improve their image and add proper CSR to their business strategy. Social enterprises appear to be the best partners to develop this activity since they have better knowledge of local environmental and social issues and have influence at a local level.

There have been many studies done about social enterprises, charity partnerships or philanthropic partnerships but there is a gap in the researches when it actually comes to sustain business partnerships between large scale companies and social enterprises. That is why this research was decided using an ongoing case study.

2.1 Research Aim and Objectives

The first interest of this research is the thought that capitalism can be part of the solution for world’s issues. Indeed, capitalism has been pointed as responsible of many issues in the world and most of the time it is admitted that the solutions cannot come from capitalism. However, by studying the partnership between large scale companies and social enterprises it appears that, if well handled, capitalism and its huge resources can happen to be a really effective solution to tackle many issues.

The other interesting aspect of this research is the nature of the partnership between large scale companies and social enterprises. Indeed, whereas it was mainly charity or philanthropy partnerships in the past, nowadays more partnerships between these two types of entities are actual business partnerships. This brings a lot of new aspects in the picture but also a notion of evolution in the partnership where the large-scale companies provide extra resources and
time to help social enterprises to develop themselves in order to become more effective partners or suppliers. There happens to be a proper situation of win/win and equality in this partnership which is a complete change compared to charity or philanthropy.

This research contributes to the field of Entrepreneurship and Innovation Management in the first place because it increases the knowledge about a new kind of partnership strategy for entrepreneurs and especially social entrepreneurs. It also reinforces the fact that social enterprises are part of the entrepreneurship field and that developing proper business strategies with large scale companies can be the best long-term strategy and helps a lot for their development.

This thesis is addressed to corporations and social enterprises which could start a partnership process and could then find key aspects on how to sustain this partnership but also to researchers in the field who could find a research which was not previously existing in the field.
3. Literature Review

3.1 Landscape of how corporation can create social impact

The role of business in society has been evolving from philanthropic approach towards corporate social responsibility (CSR) and toward creating shared value (CSV) (Porter, 2013). Corporate Social Responsibility (CSR) is the concept that the corporations take responsibilities for the impact of their business activities on environment, society, and all stakeholders (Ismail, 2009; CSR Europe, 2014). Creating shared value (CSV) refers to the corporate practices that drive the competitive advantage of the company while simultaneously advancing social and economic conditions in the communities in which the company sells and operates (Porter & Kramer, 2011). Evolving from its traditional form, CSR can be strategically designed for a corporation to take the unmet social needs as business opportunities (Porter & Kramer, 2011; Carroll, 2000).

Saul (2011) viewed that CSR is an obligation for corporations to give back or be good corporations. Strategic philanthropy is only aimed at crafting a business strategy that aligns with creating positive impact to society. So, the term ‘Social innovation’ is proposed as an alternative way in which companies can specifically design their strategies to generate economic value through creating positive social changes (Saul, 2011). Corporations can innovate market-based solutions to social problems that generate high business growth and profitable opportunities. For example, Walmart has offered an affordable $4 prescription plan to ensure that the bottom-of-the-pyramid segment can have access to generic drugs while the company still being profitable (Saul, 2011). Salesforce.com started to offer its customers relationship management software to nonprofits enabling them to track their fund-raising for free while the company is viewing the nonprofit segment as new business opportunities (Saul, 2011).

Thus, there is a wide range of options in which corporations can contribute to the society from philanthropic approach to strategic approach. Rangan et al. (2012) proposed three theatres of CSR practices according to corporate motivation as; (1) philanthropic giving, (2) reengineering the value chain, and (3) transforming business model. Philanthropic approach in the first theatre is undertaken by the motivation that is very loosely connected to the company’s business strategy (Rangan et al., 2012). Unlike the first theatre, corporate action in the second theatre is aiming to improve corporate’s bottom line while creating social and environmental value (Rangan et al., 2012). For example, changing the company’s supply chain to reduce negative environmental impact, energy consumption, while having cost declined. The third theatre of corporate practices evolved from the fundamental drives in theatre 2, the approach is aimed to disrupt or transform business model by focusing on
crafting solutions for social problems that yield financial returns in the long run (Rangan et al., 2012).

Instead of implementing social initiatives directly by the corporations themselves, KPMG International (2016) emphasized on the power of cross-sector partnerships which enable the company to play a more catalytic role in achieving sustainable development goals. Through their collaboration, each partner can leverage their strengths to reach the level of impact that is hardly achieved independently (KPMG International, 2016). For instance, Nestle joined force with the International Federation of the Red Cross (IFRC) from the philanthropic donor partnership in 2002 and developed their partnership beyond funding by leveraging strengths of each other. In 2006, IFRC started to deliver water and sanitation to cocoa farming community in Nestle’s cocoa supply chain (KPMG International, 2016). By collaborating with partners who have more in-depth insights about social problems, corporations can use their scales and resources to address social issues through partners in several ways (Acumen, 2015; KPMG International, 2016). AirAsia Group and DBS Bank have committed to create positive social changes through championing social entrepreneurship by providing seed funding and mentorship (AirAsia Foundation, 2015; DBS Foundation, 2016). Ernst & Young also leveraged its corporate strengths to provide advisory services, such as legal and financial issues, for social entrepreneurs (Ernst & Young Accountants, 2014).

Based on previous literatures, a wide range of corporate role in society can be portrayed in two dimensions (see figure 1); (1) the approach of social impact contribution, a continuum of philanthropic to strategic approach, and (2) the social impact contributor, in which the corporation creates direct impact to society or creates indirect impact to society through partners. Most of previous studies focused on the well-established concept of traditional CSR (see the left area in figure 1). As the corporate engagement in social contribution evolved to a more strategic approach (see the right area in figure 1), not many literatures on the strategic perspective have been found, especially when the corporation integrates business strategy with social mission and partnership (see the bottom right of figure 1).
3.2. Existing literatures on different aspects of the corporate-social enterprise partnership

To date, there are existing literatures on the specific corporate-social enterprise partnership. Different aspects of the established partnerships, such as, benefits, possible partnership models, success factors, and challenges, were primarily examined through case studies. Findings and analysis of previous studies are summarized in table 1.

According to Acumen (2015), collaborations between social enterprises and global corporations have been advantageous for both parts as they are able to leverage their differences resources and strengths to create a wide range of new possibilities for each other. For instance, co-creating new products/services, business models, new distribution channels, new customer segments, employee development, and stronger supply chains. The Four Lens Strategic Framework (2010) found that the corporate-social enterprise partnership is a win-win proposition for all parties. The notable benefits for corporation are, such as, improving public image, reaching new market, innovating new products and lower costs of R&D. Yet social enterprises also benefit from an increase in financial return, marketing, brand value, and a greater social impact from the access to corporate buying power, technologies, and expertise (The Four Lens Strategic Framework, 2010; Mennel et al., 2013). Furthermore, through the lens of resource-based theory, the inter-organizational collaboration is a way to enhance resource sharing and develop distinctive organizational capabilities (Hamel et al., 1989). Especially for non-profit organizations, inter-organizational
collaborations will lead to collaborative advantage which strengthen their capacities to address social issues (Huxham, 1996).

**Table 1:** Literatures on different aspects of the corporate-social enterprise partnerships

<table>
<thead>
<tr>
<th>Author and year</th>
<th>Analytical aspect</th>
<th>Methodology and sample</th>
<th>Partnership model</th>
<th>Location of case studies</th>
<th>Key Findings/Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acumen, 2015</td>
<td>Partnership model, benefits, key success factors</td>
<td>Case studies (2 partnerships)</td>
<td>Skills</td>
<td>Kenya, Ethiopia, Philippines, Bangladesh</td>
<td>- Both global corporations and social enterprises benefit from the collaboration, especially meeting new business opportunities. - The collaboration currently establishes in 3 models: skills, channel, and venture partnership. - Key success factors for each model include leveraging strengths of each partners, understand the psychology of the counterparts, and communicate openly.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Case study (1 partnership)</td>
<td>Channel</td>
<td>Kenya, Uganda, India, China, US</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Case studies (2 partnerships)</td>
<td>Venture</td>
<td>Ghana, India, Philippines, Bangladesh</td>
<td></td>
</tr>
<tr>
<td>Di Domenico et al., 2009</td>
<td>Partnership driver, challenge in sustaining partnership</td>
<td>Case studies (2 partnerships)</td>
<td>Channel</td>
<td>UK</td>
<td>- Main drivers of the partnership are including expected benefits and the value contributing to partner’s inputs. - Based on the dialectic of social exchange theory, conflicts may arise when the partnership matures. The tensions are driven by contradicted goals, ownership, governance, and accountability between each partner.</td>
</tr>
<tr>
<td>Hammond, 2013</td>
<td>Difficulties in building partnership</td>
<td>Not mentioned (Based on author’s experience)</td>
<td>Venture</td>
<td>Not mentioned</td>
<td>Though corporate-social enterprise partnership seems to benefit both parties, the real partnership attempts are rarely successful because of several reasons such as lack of understanding and respect for counterparts.</td>
</tr>
<tr>
<td>The Four Lens Strategic Framework, 2010</td>
<td>Characteristics, benefits of partnership</td>
<td>Case study (1 partnership)</td>
<td>Channel</td>
<td>Dominican Republic</td>
<td>Unlike corporate philanthropy, cause-related marketing or usual business relationship, this partnership model is based on active operational involvement of corporations in a social enterprise for win-win proposition of both parties.</td>
</tr>
</tbody>
</table>

Though the partnership seems worthy for both parts, previous literatures found that there are challenges in building the partnership as well as tensions in sustaining it. Hammond (2013) analyzed the reason why big companies do not collaborate with social enterprises to combine their strengths to create enormous business opportunities and greater impact for the society. The key challenges are a lack of understanding and respect between partners, social enterprise’s lack of management, financial and negotiation know-how. Corporations are rigid to profit goals and high return on investment which are relatively unrealistic for social enterprises (Hammond, 2013). In a study on strategic cross-sector partnerships for social
impact, the main challenges are aligning interests between partners, establishing clear roles and responsibilities, aligning management systems and defining metrics to measure progress (Mennel et al., 2013). The study by Di Domenico et al. (2009) also revealed that tensions are likely to happen in corporate-social enterprise partnerships due to their contradiction in: (1) social goals and community logic of the social enterprise versus profit goals and market logic of the corporation, (2) profit allocation to the owners in corporations versus profit reinvestment for social purposes in social enterprises, (3) corporations’ hierarchical decision structure versus social enterprises’ participative decision structure, (4) corporations’ accountability to their shareholders versus social enterprises’ accountability to their wide range of stakeholders in the society. As the relationships between corporations and social enterprises mature, the tension from the mentioned contradictions can increase and cause the partnership break-up later on (Di Domenico et al., 2009).

Nonetheless, Acumen (2015) revealed that the corporate-social enterprise partnership currently exists in three partnership models, i.e. skills, channel, and venture partnership (see table 2) and each model is driven by different key success factors as follows;

First, for the skills partnerships, global corporations share their expertise to tackle challenges in social enterprises. For example, EY formed a partnership with EthioChicken, a social mission driven enterprise which is aimed to increase egg production and create scalable distribution model to reach rural households in Ethiopia. The critical key success factors for skills partnerships are matching employee’s needs, balancing employee’s work and volunteer’s time, or adapting to low bono rather than pro bono basis (Acumen, 2015).

Second, channel partnerships enable partners to share each other’s supply channels. Unilever buys d.light home solar systems and sells through Unilever’s small-scale retail shops so they both benefit from the partnership while providing accessibility to affordable solar-powered solutions for off-grid communities. Channel partnerships have mainly succeeded because of the social enterprise’s understanding of the psychology and motivations of the counterpart, designing the partnership around them, being persistent, and communicating with the partner openly (Acumen, 2015).

Third, venture partnerships happen when corporations and social enterprises jointly do business together. For instance, Grameenphone is a joint venture of Telenor and Grameen social business serving affordable mobile-based solutions for the bottom-of-the-pyramid market in Bangladesh (Telenor Group, 2016). The venture partnership’s key success factor is leveraging strengths of each partner, i.e. resources and know-how (Acumen, 2015).

Furthermore, for all the partnership models, social enterprises having a clear business model is important for financial success of both parts and, thus, viewing the collaboration in the long-term and strategic way is also critical for the successful case studies (Acumen, 2015).
### Table 2: Summary of corporates-social enterprises partnership models

<table>
<thead>
<tr>
<th>Partnership Models</th>
<th>Key Characteristics</th>
<th>Example</th>
</tr>
</thead>
</table>
| Skills Partnership | Leveraging knowledge, networks, skills in the corporations to cope with challenges facing by social enterprises, e.g. a consulting firm delivers consulting service for a social enterprise on pro-bono or low-bono basis, or in the form of informal mentoring or coaching.                                                                                                                                                                                                                                                                  | ● EY and EthioChicken (Ethiopia)  
● Dow Sustainability Corps and Sproxil (Kenya)                                                                                                                                                                                                                                            |
| Channel Partnership| Social enterprises and corporations agree to share sales or supply channels for the counterparts, e.g. products/services from a social enterprise can be distributed through corporation’s retailer, corporations can reach the bottom-of-the-pyramid segment through social enterprise’s channel                                                                                                                                                                                                                                             | ● Unilever and d.light (Kenya, India, China, Uganda, US)  
● Ben & Jerry’s and Cresco Trust (UK)  
● Western Mail & Echo and Pack-IT (UK)                                                                                                                                                                                                                                                  |
| Venture Partnership| Corporations and social enterprises agree to run the business together, the corporation may invest in equity stakes in a social enterprise because the corporation foresees the business opportunity in the new market social enterprise is entering.                                                                                                                                                                                                                                                                                         | ● Grameenphone (Bangladesh)  
By Telenor and Grameen Bank  
● WaterHealth Centers (India, Bangladesh, Ghana, Philippines)  
By Coca-cola and Water Health International                                                                                                                                                                                                                                               |

Source: adapted from Acumen (2015), Di Domenico et al. (2009), Telenor Group (2016)

According to previous literatures on the specific corporate-social enterprise partnership, different aspects of the partnership, such as benefits, partnership models, and challenges, were addressed by examining the existing case studies mainly located in South Africa, South America, and South Asia. That is, the empirical findings from the previous researches are still geographically limited. Though challenges and key success factors have been identified in the literature, there are insufficient discussions on how these partnerships can be sustained through all challenges they are facing.

### 3.3 Sustaining inter-organizational partnership

Despite the limited number of literatures on sustaining the specific corporate-social enterprise partnership, it is crucial to explore key partnership sustainability domains which were identified in other types of inter-organizational partnerships studies, such as the corporate-nonprofit partnership, the cross-sectoral partnership, and the supplier-buyer partnership.

**The corporate-nonprofit partnership sustainability**

In the partnership between corporation and nonprofit, Nicholls & Huybrechts (2016) identified four factors behind the continuity of the partnerships including; (1) pre-existing hybrid logic combining social goals and market oriented logic of both sides; (2) boundary-
spanning discourse or the developing discourse that can span the boundaries of partnership logic, e.g. the development of corporate social sustainability standard can enhance the products from fair-trade organizations; (3) tolerance of dissonance in spite of goal differences; and (4) co-created practices and rules, e.g. corporations adjust their marketing communication by reinterpreting the story of nonprofits.

The cross-sectoral partnership sustainability
In the general cross-sectoral partnership, KPMG International (2016) identified four core values which sustain the partnerships as; respect, commitment, patience and persistence, and transparency. Doyle & Ott (2010) highlighted the key driving factors of inter-disciplinary partnership sustainability as having complementary goal, reward system for stakeholders, authenticity, and trust. Gray & Stites (2013) recommended that it is important for all parts to perceive the partnership as a learning laboratory; anticipate conflicts and identify solutions to address them. Particularly for the businesses in cross-sectoral partnership, the initial partnership selection process, such as identify desirable partners characteristics or consider their own motivations, plays vital role in sustaining the future collaboration (Gray & Stites, 2013).

Furthermore, the inter-organizational collaborative capacity model proposed by Hocevar et al. (2011) identified five domains in sustaining effective inter-organizational systems including; (1) purpose and strategy or needs to collaborate for achieving their own missions and goals, (2) the collaboration structural flexibility that allows partnership to adapt to change, (3) rewards and incentives and factors that motivate organization to keep the collaboration, (4) people necessary skills, and (5) the lateral mechanisms such as value or norm that encourage learning and information sharing (Hocevar et al., 2011).

The supplier-buyer partnership sustainability
The supplier-buyer partnership is an extended relationship of sellers and buyers based on mutual benefits and confidence (Jusko, 2011). The partnership requires open communication, trust, clear understanding of expectation and direction for the future as well as consistent customer satisfaction and supplier retention (Jusko, 2011; Mugarura, 2010). To prolong the partnership, information sharing and joint-decision making are significant to improve partnership performance while setting the mutual expectations (Jusko, 2011). Nonetheless, partnering with non-traditional supply sources becomes necessary to complement the limited resources concentrated in only a particular region or country (Jusko, 2011). Moreover, for partnership continuity, both parts need to be adaptive to the needs of the counterpart while having firm commitment and improved communication (Mugarura, 2010). Furthermore, as the partnership grows, an increase in sales and a decrease in cost in the long run will foster a sustainable supplier-buyer partnership (Lagace, 2003).

Based on the review of existing literatures on three types of inter-organizational partnerships, the four inter-organizational partnership sustainability domains are grouped and synthesized in table 3 to provide ground framework for further analysis of the corporate-social enterprise partnership sustainability. However, it is important to note that the four domains were
identified based on abovementioned types of partnerships which are not exactly the corporate-social enterprise partnership.

**Table 3: The four domains to consider in sustaining inter-organizational partnerships**

<table>
<thead>
<tr>
<th>Partnership selection and preparation</th>
<th>Partnership driver</th>
<th>Partnership nature</th>
<th>Partnership adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Partnership selection and pre-requisite (Gray &amp; Stites, 2013)</td>
<td>● Mutual benefit, reward, incentive alignment (Doyle &amp; Ott, 2010; Hocevar et al., 2011; Jusko, 2011)</td>
<td>● Future and continuity expectation (Moorman et al., 1992)</td>
<td>● Adaptation (Hocevar et al., 2011)</td>
</tr>
</tbody>
</table>

4. Methodology

4.1 Research approach

The research done for this thesis was an exploratory one which appears as the most adapted approach when there is a limited number of previous studies about the subject (Collis and Hussey, 2013). The main goal in this case of study is to try to find out some patterns and not to test potential hypothesis.

When it comes to the process of the research, it was a qualitative research. This type of process required the collection of new qualitative datas and their analysis through an interpretative method (Collis and Hussey, 2013).

4.2 Research paradigm

The research used an interpretivist paradigm where the findings were developed through a qualitative method and the researchers’ view on the subject is subjective and influenced by it while also influencing it (Collis and Hussey, 2013). This led to the process used for this research which was the interpretation of qualitative research data.

4.3 Sampling

The research is based on one case study of the partnership between IKEA and Doi Tung. The choice of using one case study was done linked to the fact that this is an exploratory research. The lack of existing knowledge on the subject made it necessary to create new data from the semi-structured interviews which were completed by the secondary data provided by the two companies and other sources. In fact, using a single case study can provide rich picture of a particular situation; it can reveal a great deal about the general from the specific (Easton, 2010).

The choice of the case about the partnership between IKEA and Doi Tung came from different reasons. First of all, it is an ongoing case of partnership between a large scale company and a social enterprise. It was important to select a large-scale company which takes CSR programmes seriously in its strategy and not just as short-term actions such as donations or charity events. Moreover, IKEA has already established partnerships with social enterprises in developing countries with goal of delivering mutual benefits. Also, a key aspect is the fact that the company perceives social enterprises as partners and suppliers and not
simply as beneficiaries. When it comes to the social enterprise it was important that it has clear social objectives with a proven track record of achieving the proposed social objectives but also that it acts as a normal business with a trading unit which offers standard products and/or services in a competitive market. Also, it was important that the social enterprise has a feasible business model. Another aspect for the choice of this case is the fact that the researchers had access to contacts in order to get primary data for the research and also the fact that one of them being from Thailand had a direct knowledge of the situation in this country. Finally, the last reason for the choice of this case is the fact that it is a partnership that is based on a strategic approach from both parts. It was a fundamental requirement for the case that this partnership was not based on charity or philanthropy as it is in many other partnerships between large scale companies and social enterprises.

4.4 Data collection and analysis method

The data collected were both primary and secondary ones. Primary data are data which are produced and gathered by the researcher while secondary data come from existing sources. The primary data were collected through semi-structured interviews. These interviews were designed in order to get as much data as possible, from the broadest to the most specific ones. This was done to be able to get the best knowledge about the case from the different actors’ point of view and to clarify every aspect possible. So, the interviewees selected for the research were, at least, one high-level management and one key practitioner in the partnership from both IKEA and Doi Tung as follows;

*Interviewees from Doi Tung*
Khunying Puangroi Diskul na Ayudhya, CEO
Thanit Kongkaew, Strategic Planning Manager

*Interviewees from IKEA*
Vaishali Misra, Business Leader, IKEA Next Generation Social Entrepreneurs
Smita Chandna, Business Developer, IKEA Next Generation Social Entrepreneurs
Ansuman Biswas, Product Engineer, IKEA Next Generation Social Entrepreneurs

The primary data collected from the semi-structured interviews were completed by the secondary data from documentation provided by the two companies and other sources in order to add extra knowledge to the research.
4.5 Scope and delimitation

The research focused on the study of one case of partnership between a large-scale company in Sweden (IKEA) and a social enterprise in Thailand (Doi Tung). This choice had different implications when it comes to the delimitations of the research. It is the study of a channel partnership model and as a consequence that does not include skill partnership or venture partnership models (Acumen, 2015). Also, it is important to notice the fact that this is the study of a business partnership involving a social enterprise but it is not charity or philanthropy.

4.6 Ethics and sustainability

The ethical and sustainability issues have been taken into consideration throughout the process. Both primary and secondary data collection were conducted upon the agreement from both companies. The interviewees are willing to reveal their interview transcripts for the study. However, the study does not disclose confidential data and supplement material provided by the companies as agreed. The empirical findings and analysis are done without subjectivity due to the fact that the authors have no stake in both companies.

Sustainability is the main aim of the study. By examining the research question, the authors expected to see the well-rounded perspective in sustaining the partnership between corporation and social enterprise which subsequently lead to sustainable social and environmental development in its context. The selected social enterprise, Doi Tung, directly works in sustainable development of the underprivileged area in Thailand. Similarly, the chosen corporation, IKEA, has established and developed the environmental and social sustainability initiatives in its value chain consistently.

There is one concern that may arise regarding the ethical and sustainability issues in this study. If the new type of partnership sustains in the long run, would it affect the social goal of the social enterprise and turn it into a normal business? Though there is probability in general, the tendency is, however, very low in the context of the selected social enterprise. Doi Tung has strong business model that clearly allocates profits back to the local artisans and its nonprofit arm, Mae Fah Luang Foundation. The authors evaluated that the long-term partnership between corporation and social enterprise is unlikely to deteriorate social mission of the selected social enterprise.
5. Empirical Findings & Analysis

This chapter starts from providing brief background of the selected case study, identifying how large-scale corporation and a social enterprise sustain their partnership, and identifying challenges in sustaining the partnership.

5.1 The Case Study

5.1.1 IKEA

IKEA is a global furniture retailer providing a wide range of functional, well-designed, and low-cost home furnishing and decorative items. Today, IKEA is established in 28 countries, with 340 stores, and 163,600 workers. In 2016, IKEA had total sales of USD 36 billion which increased from USD 33.8 billion in 2015 and leaped from USD 18.4 billion within 10 years. In term of profit, USD 4.5 billion is the net profit of IKEA group. IKEA currently has 9,500 products offered to the customers. Out of them, 2,500 items were newly designed in 2016 (IKEA, 2016).

IKEA has emphasized its core competency on low-cost business model to sustain its profitability. It is able to offer products at affordable prices by redefining the furniture value chain - shortening the distance between customers and suppliers. The product development process usually starts from IKEA working with in-house or contracted designers to design the furnitures that match customer’s needs and are possible to produce with IKEA’s existing production process. Then, IKEA’s buyer unit looks for suitable suppliers and buys raw materials in tremendous amount to lower the cost. Most of the assemble task is shifted to customers in order to reduce the cost while engaging customers in its value creation process. The entire process makes it possible for IKEA to offer relatively low-price products to the customers (IKEA, 2015).

**IKEA sustainability initiatives**

As a global retailer, IKEA has a vision to use its influence to address social and environmental challenges. Sustainability issues have been integrated into its strategy under ‘People & Planet Positive strategy’ and ‘IWAY’, a code of conduct for suppliers. It also has committed to achieve the Paris Agreement on Climate Change and the Sustainable Development Goals (SDGs). In 2016, its sustainability initiatives were, for instance, replacing oil-based expanded polystyrene (EPS) with fully recyclable fibre-based materials, increasing proportion of cottons and woods from sustainable sources and aiming to achieve 100% by 2020, producing renewable energy (up to 71% of the energy consumption in its
IKEA Next Generation Social Entrepreneurs
IKEA has rolled out the Next Generation Social Entrepreneurs which is an initiative primarily aimed to seek for new fair-trade and eco-friendly materials and supplies by focusing on sources from social enterprises in developing countries. Currently it is working in pilot phase with few social entrepreneurs in India, Thailand, and Sweden. This initiative allows IKEA to form partnerships with the local businesses which focus on benefitting social issues by co-developing, purchasing limited edition collections, and selling them in the selected IKEA stores. The initiative allows small scale social enterprises to be part of IKEA supply chain in which it is normally hard to get accessed to IKEA’s supply systems. At the same time, IKEA stated that “this is business, not charity”. So, it has selection criteria for social entrepreneurs that they must be capable of addressing the social challenges while not compromising products quality to meet the expectations from IKEA customers (IKEA Group, 2016).

5.1.2 Doi Tung Social Enterprise

In Thailand, IKEA has established the partnership with Doi Tung, a social enterprise with a mission to revitalize the devastated forests, due to the production of opium, and to improve healthcare and education for Thailand’s ethnic minorities in the Doi Tung area, which were affected by the illegal drug trade and poverty. Doi Tung enables people to become economically self-reliant and able to continue the process of their own development as responsible citizens without compromising the environment or their own cultural values (Doi Tung, 2017). It has taught local people to use local design, traditional manufacturing, and sustainable method to produce environmental-friendly products and services in agriculture, tourism, food processing, and handicraft. Then Doi Tung acts as market intermediary with fair-trade policy. Over the last two decades, Doi Tung has provided work for over 1,700 people including 470 people in handicraft segment. The revenue under the brand ‘Doi Tung’ was over USD 14 million in 2015 (Mae Fah Luang Foundation under Royal Patronage, 2016).

The organization has two major units; Doi Tung social enterprise, which focuses on business operation under brand ‘Doi Tung’, and Mae Fah Luang foundation, which focuses on tackling all social issues among the underprivileged villagers. Mae Fah Luang Foundation was founded first. Then Doi Tung was initiated as the organization’s business arm to complement the foundation’s social development work. So, the major part of the profit is reinvested in the business, which goes to the local villagers in itself, and the rest is allocated to Mae Fah Luang foundation, which goes to the sustainable development projects in the area.
Doi Tung has consistently expanded its business to ensure that the sustainable revenue stream, including an increase in budget for vocational trainings for the villagers to pursue a wider range of careers. Nowadays, it offers broad variety of products, such as, coffee, macadamia nuts, hand woven home accessories, handmade ready-to-wear garments and fashion accessories, mulberry paper products, etc. (Doi Tung, 2017). Doi Tung’s founder, Royal Princess Grandmother Srinagarindra, stated her view on Doi Tung that ‘Do not let people buy our products out of pity’. Following her statement, Doi Tung’s strategy does not compromise its product quality. It maximizes skills and talents of the local people by hiring both Thai and foreign experts to help with the designs that attract premium market segments, and continuously providing up-to-date dyeing and weaving techniques that complemented their traditional skills (Doi Tung, 2017).

5.1.3 The partnership between IKEA and Doi Tung

The collaboration between IKEA and Doi Tung started locally in 2007 in which a small collection called ALLVARLIG was designed by one of IKEA designers and trial launched in Bangkok store. Then the partnership between IKEA and Doi Tung under the Next Generation Social Entrepreneurs initiative has been established since 2011. The products in each collection are generally co-designed based on handicraft skills of the local artisans, i.e. hand-formed ceramic containers, hand-woven textile, and handmade paper. By 2016, at least 7 limited collections have been launched in 22 selected IKEA stores in Austria, Switzerland, and Sweden, e.g. BEDRIVA collection, VALBALANS collection (IKEA Group, 2015).

Based on the provided background of the partnership between both companies, the workflow of each company before and after the partnership can be visualized in figure 2.
Figure 2: Diagrams visualizing the workflow of IKEA and Doi Tung before and after the partnership

Before the partnership

After the partnership
5.2 Sustaining the partnership

Through the semi-structured interviews conducted with both IKEA and Doi Tung managers, it was possible to extract the main aspects which improve or guarantee the sustainability of the partnership between a large-scale company and a social enterprise. The four domains to consider in sustaining inter-organizational partnerships, i.e. partnership selection and preparation, partnership driver, partnership nature, and partnership adaptation, are applied in analyzing the findings in this section.

5.2.1 Partnership selection and preparation

The first main part of the partnership process is the initial partner selection and preparation; this appears to be one of the most important aspects to sustain the partnership (Gray & Stites, 2013). The selection of the partner for IKEA is done by an in-depth evaluation based on the hybrid logic which combines both the business aspect and the social aspect of the social enterprise. The presence of pre-existing hybrid logic is the key factor behind the persistence of the partnership between these two different types of company (Nicholls & Huybrechts, 2016).

For the business aspect, IKEA evaluated the fact that the social enterprise has a working business model but also that it works on transforming social conditions through business. It should come in one of IKEA’s value chain such as textile handicraft and ceramics in Doi Tung’s case.

“*We select the partners which have an existing business model, which have some experience with the business.*”

“The whole idea is that we extend our business principles to these organizations which have a willingness of strategic fit, which have a strong social vision but involving also business”

When it comes to the social aspect, the focus is put on whether the social enterprise is working with vulnerable groups, women or immigrants. It is important that the social enterprise shares profit to craftsman or investing it in the artisans development or in community while consistently making audits on all aspects of work including social impact assessment. The social enterprise should be recognized locally or internationally for their work also in order to improve the success rate of the partnership.

“They should be locally or internationally recognized. We selected all the three first partners in the pilot phase from the World Economic Forum. Either they were awardee of World Economic Forum for the Entrepreneur of the Year award or they were nominees.”
After aligning goals, the preparation phase happened to be crucial for the partnership sustainability. Although the social enterprise needs not to be ready from the start, it must be able to become a regular supplier and to have product development capabilities in the later phase. Due to their scale difference, IKEA allowed longer supplier preparation time, compared to the usual supplier development process, for Doi Tung to develop compliance and standards for the transition from local to global market.

“That we did the whole assessment of the financials, their processes (quality and business processes), their compliance. There was a whole business assessment and also we had an action plan. We had an action plan in the first two years about how to fill those gaps (in processes, in compliance and operational).”

“This was a full assessment like we do for other suppliers as well. The only difference is that they got a longer time to build up the action plan in terms of working over those gaps.”

“All the three pilots that we started in the last three years, two in India and one in Thailand, they had never done export before. For the first time, including Doi Tung, they were doing export.

5.2.2 Partnership driver

According to Acumen (2015), one of the key success factors in establishing the corporate-social enterprise partnership are the understanding of counterpart’s motivation. Based on the semi-structured interview conducted, the authors found that key drivers that motivate both IKEA and Doi Tung to sustain this partnership through many challenges they have faced, appeared to be the business-oriented benefits they received.

For IKEA, this partnership came from their strategy to have more engagement in people and communities and how to look into partnerships with small enterprises. This is mainly due to the fact that nowadays customers expect from companies to be more sustainable and showing engagement towards social and environmental issues. As a consequence, it is more than just an image question for a company, it is about improving its business results by increasing its market shares and adopting a long term strategy.

“We put IKEA in a position of having a positive societal impact and reaching out to new customers, new socially conscious customers. It also about being a role model for leading companies. We started something really unique and many other organizations are being interested about it and want to know more about it”
From Doi Tung’s perspective, collaborating with IKEA has significantly enhanced Doi Tung’s internal working standard and improved its brand image. Though adapting itself to IWAY, IKEA’s production standard, has been a big challenge for Doi Tung, its production process now reaches the international standard. As mentioned by Doi Tung Strategic Planning Manager, prior to strictly following IWAY, Doi Tung had never thought of improving its production process to this level of standard.

“IKEA thought of environmental impact in a deeper level. For instance, IWAY required us to use Better Cotton standard which is the cotton produced from water-saving process. We had never thought of it this way. So, we knew and continue buying it until now. Sometimes we also mix Better Cotton with our other collections.”

“IKEA has helped us filling up our production capacities to reach economy of scale, lower cost, and be more profitable. We didn’t increase our production capacities but we can increase sales.”

“IKEA fills up the gap in productivity; nowadays we have 80 to 90% of capacity usage while before this partnership we had only 30 to 40%.”

Doi Tung’s brand has also been exposed internationally as a small-scaled social enterprise from Thailand that works to support local artisans while being able to deliver high quality products.

“Our brand has been recognized overseas, I think it’ll be distributed to Germany this year. We want to tell the globe that we, a small social enterprise located in faraway place, is doing good for society and able to deliver high quality product.”

Nonetheless, the interview revealed that Doi Tung understands IKEA’s main drive in sustaining this partnership which is to fulfil the demand gap for handicraft and socially conscious products from IKEA customers. Doi Tung foresees that there will be a growing number of social enterprises working with artisans in the future and, by that time, IKEA will have more options of partners to work with. Doi Tung realizes the fact that its business model should be independent from IKEA but sustaining this partnership in the long term definitely benefits the livelihood of local artisans and villagers which is Doi Tung’s core mission.

“I think we can be an example for other corporations to make an impact and be more environmental concern. If popular brands pay more attention to the socially-conscious issues, I think it’s going to be a worldwide mega trend. In turn, it will put more pressure on small suppliers like us to push ourselves toward social and environmental concerns.”

“We have a duty towards our people to find work for them so they can get a better salary.”
5.2.3 Partnership nature

The nature of the partnership is also a key aspect in the partnership between large scale companies and social enterprises. Future expectations toward each other and the alignment of long term strategy happened to be among the critical factors in sustaining the partnership (Moorman et al, 1992; Hocevar et al, 2011). In this case, it appeared important that the partnership nature was not unbalanced and that it was in the best interest of large scales companies to help the social enterprises to develop themselves.

For IKEA, it is really important to point out that this partnership is not philanthropy but an actual business partnership. Though the initial selection criteria of Next Generation Social Entrepreneurs initiative emphasized on the social aspect of the social enterprise, once the partnership started, IKEA treats Doi Tung the same way they do to a regular business partner. The interview also revealed that IKEA views Doi Tung as a supplier in the long term.

“It is a long-term partnership. That is the reason why we took time in selecting and then building them up. It is not just one collection we are buying from Doi Tung and then we buy the next collection from some other partners in Thailand.”

“It is not a project in a philanthropy where we buy one time. It is a long-term partnership and it is part of the supply chain. They supply to our stores and sell it to our stores. We are giving our market excess to them.”

For Doi Tung, this partnership is also not at all philanthropic. When it comes to practical work, Doi Tung mentioned that they treat each other like a professional business partnership. That is, the future expectation from both Doi Tung and IKEA on the nature of this partnership is aligned.

“Initially we thought this is a corporate-social enterprise partnership, but after working together for quite a while, I think they viewed us as a normal supplier.”

However, instead of being viewed as a regular supplier, Doi Tung wants to be perceived as a social enterprise. Because of the fact that its priority is to address social issues in underprivileged areas, Doi Tung wants to be understood that business for a social enterprise is merely a tool to tackle the social problems.

“We value that they treat us professionally and give respect to our work on the ground. But we would have to rethink about the partnership if IKEA thinks of us as a completely normal supplier.”

Similar to IKEA’s view, Doi Tung always prepared itself to be independent from IKEA in the future. The social enterprise values that IKEA has been a good business partner but Doi Tung
also bears in mind that its business cannot only rely on one client. Sustaining partnership is important but diversifying the business activities is also equally significant.

"Working with IKEA raised our working standard to international level."

"IKEA is currently our only regular wholesaler. We have many wholesalers but IKEA is the only wholesaler that keeps ordering from us. We have already co-created about seven collections together."

“I don’t think Doi Tung business should rely on one big client. We have to diversify our portfolio because it’s our own risk. That’s why we don’t want to increase our capacities in term of hiring more artisans. But we believe that we are increasing capacities by increasing expertises of the artisans. This is skilled work. The longer they work, the better they can do.”

5.2.4 Partnership adaptation

The interview revealed that partnership development process between IKEA and Doi Tung has been an iterative process. Many issues occurred, were gradually addressed, and learned by both companies over time. The willingness to adapt and abilities to reflect key learnings play a critical role in sustaining the partnership (Hocevar et al., 2011).

One aspect of the adaptation of IKEA to this partnership is the fact that they have adapted the KPIs (Key Performance Indicators). Indeed, in addition of the traditional KPIs of the company, they have added social KPIs in order to measure the social impact. One example is that one of the key goals for IKEA is to develop Doi Tung’s business potential by putting them in contact with other sustainable suppliers but also encouraging them to develop extra activity besides the IKEA one in order to remain independent of IKEA.

“We have KPIs on the initiative level and on collection level. On the collection level it is about sales, turnover, gross margin, SPA (Sales Price Adjustment). All the commercial part is measured on the collection level. That is the same for any collections what we are doing here. There is not any special treatment for us, it is the same for every collections that IKEA is doing. On the initiative level, it is about the impact, number of people being impacted, how many are directly impacted, how many are indirectly impacted. Also in terms of compliance, how many of them are 100% compliant and chat is the action plan for them. It also about the reach, how many countries we are reaching, how many stores the collections are reaching. How many new customers Doi Tung have taken? Because the whole agenda is for them to become self-reliant, that they should not become totally dependant on IKEA. So, we also look into how many new customers they have and also about how many new initiatives they have started on their own (e-commerce or anything), that is what we measure on. The last aspect we measure our results is the media reach..."
value depending on how many new customers and opinion leaders we are reaching through our media reach value.”

Another main learning for IKEA was about how to communicate internally about this initiative. Indeed, it appeared that it was not understood by many what were the benefits of it and why IKEA should keep doing it.

“A big learning for me was to come back in the organization and explain. That is what me and my team did a lot in the beginning. Internally in the organization we were asked: why are we doing this? It puts so much of demand and pressure on the business team, the output is not that much when it is measured on the KPI.”

Doi Tung viewed that working with IKEA has been a big learning for both companies. The social enterprise had never exported its products overseas nor thought of the international production standards; IKEA also has never been working with small suppliers. So Doi Tung keeps adjusting its internal operation throughout the whole process to meet the IKEA’s production standards while ensuring the smooth coordination with the local artisans.

“We couldn’t deliver all required specifications because we are a small handicraft factory. I really have to act as a mediator to bridge the requirements and reality because I know the production limitations. There is also high variation in handicraft products. Or, sometimes we have to tell IKEA that the design was not functional because the selected textile pattern was not comfortable for home use. These are some small details that we found and learned along the way.”

Doi Tung mentioned that there are some ongoing challenges which need both companies to learn and address along the way. From the social enterprise’s view, while small suppliers like Doi Tung are trying to fit to the international standards, IKEA can also learn to work with small handicraft suppliers as well.

“I think it’s a two-way learning. I think it’s important that IKEA learns how to implement sustainability initiative in our local context which is far different from Sweden, a country that is already perceived as sustainable. Our contexts are not the same at all. Sustainability standards should be tailored to match our context. One size doesn’t fit all. Some sustainability standards are not practical to implement in our context.”

“Understanding is really a key for a large corporation like IKEA to work with a small company like us. Understanding in this case, the corporation needs to unlearn what they have known and relearn the new context.”
Above all, attitude and willingness to adapt are the keys to success. Without these qualities, partnerships can hardly be sustained because the partnership challenges are common in all kinds of interorganizational partnerships.

“I think it’s very usual for business partnership to be a struggle. We actually don’t have formal contract to work together. But we are still working together.”

5.3 Key Challenges in sustaining the partnership

Key challenges in sustaining the partnership were discovered during the study. Several issues were addressed while some challenges are ongoing. Though the partnership was initiated from shared social development and sustainability vision, the ongoing challenges found by both parties are primarily concerning communication and practical business management issues (see table 4).

Table 4: Key challenges in sustaining partnership between IKEA and Doi Tung social enterprise

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<thead>
<tr>
<th>IKEA’s Challenges</th>
<th>Doi Tung’s Challenges</th>
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<td><strong>Addressed</strong></td>
<td><strong>Addressed</strong></td>
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<tr>
<td>• Adjusting internal working processes to match small scale suppliers</td>
<td>• Meeting IKEA’s production regulations</td>
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<tr>
<td>• Internal communication</td>
<td>• Constraint in scaling the production</td>
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<tr>
<td>• Finding the right price for handcraft products</td>
<td>• Communicating with IKEA to revisit the production regulations to meet local context of social enterprise suppliers</td>
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<tr>
<td>• Simplification of processes for future partnership developments</td>
<td>• Growing number of social enterprises in similar category (handcraft)</td>
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<td><strong>Ongoing</strong></td>
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For IKEA, the main challenge which has been addressed was the need to adjust their internal working processes to match a small scale supplier like Doi Tung.

“It puts a demand internally to look into processes, how to simplify them because usually each of these processes are so intense and extensive and required dedicated resources. It is easy for usual partners to comply with it but these partners (social enterprises) which work with limited resources they need to put the demand on us to simplify the processes. That was one learning for me.”
“We want to expand bigger but they don’t have the capacity and the capability because they want to remain that way. So, we work only three to three and a half month of their production time, that is what they are giving us. The rest of the time is for their own kiosks in Thailand and that is the balance they are trying to work out. And that is a challenge.”

Another big challenge which is still on-going is the one of the internal communication within IKEA about this partnership.

“A big learning for me was to come back in the organization and explain. That is what me and my team did a lot in the beginning. Internally in the organization we were asked: why are we doing this? It puts so much of demand and pressure on the business team, the output is not that much when it is measured on the KPI (Key Performance Indicator).”

The main answer to it was to show the different business teams that this partnership was not a choice but a necessity in nowadays business context where consumers are more and more aware of social and environmental issues and that the benefits of this kind of partnership would be beyond the short-term effects in terms of investments.

“The customers were asking us to make IKEA wiser because the numbers back in 2012 showed that the brand capital was going down. They lacked newness and unique products. I told them (IKEA’s teams) what the customers and marketing told us.”

Finally, another challenge for IKEA is about the price of the products produced by Doi Tung. These products being handcrafted it implies a higher price than usual machine produced products sold by IKEA. This is a problem based on the fact that IKEA’s customers are the many people and many of them, even though they appreciated the Doi Tung products and appreciated the initiative thanks to the communication about it in the stores, thought that the price tag was too high. Different efforts on this aspect have been done as explained in the interview:

“We have improved in efficiency and volumes. The first collection was sold only in three countries and eight stores and now in 2017 it will be sold in more than forty stores in around six or seven countries so we have doubled the number of countries. So, the volume has increased and then we have looked into efficiency and as a consequence the prices have improved also and we are still working on that”

For Doi Tung, adjusting its production processes to meet IKEA’s code of conduct appeared to be one of the main challenges in the beginning. To address the challenge, Doi Tung had to revise its supply chain management. For instance, connecting to new suppliers that comply with IKEA’s code of conduct, communicating with local artisans, and preparing the launch of new collections at least two years in advance.
However, Doi Tung’s ongoing challenges include constraint in scaling the production. Doi Tung is now approaching its capacity limit because there are limited number of local artisans in the area. Though it’s possible to expand its work to new underprivileged area, Doi Tung has to tailor the career that match the local context. For example, Mae Fah Luang Foundation has expanded its social development project to Nan Province in Thailand and discovered that the local profession that best matches its context is cashew nut plantation. Then, cashew nut becomes the product under Doi Tung brand, instead of the handcraft.

“The main challenges for us were about volume, costs and the fact that the designs from IKEA’s designers were not always adapted to handmade production.”

“I don’t think we should increase our production capacity just to handle IKEA’s work. We work to create opportunities in Doi Tung which was once an underprivileged area and we are reaching almost all villagers in the area. This is our own challenge. Our local artisans are not young. Young people in the region mostly aim to work in the city. Actually, we want to increase our capacities through working with IKEA to show them that they can live by working with us.”

“We have to share with IKEA about our production constraints while making sure that we are reliable in delivery. We are labor-intensive so sometimes the employee is tired in late afternoon and mistakenly broke the product.”

Furthermore, communicating needs to IKEA is another challenge for Doi Tung. The social enterprise agrees with most of IKEA’s regulations and has adapted itself to the standards. Nonetheless, Doi Tung expects a minor adjustment in regulations for small scale social enterprises, such as employee’s working hour policy. As explained by Doi Tung, the local artisans are willing to work in extra hours on easy detailed pieces while watching television at home.

“The main difference in production processes between our usual production line and IKEA’s production line is IWAY, which is IKEA’s production standard including the consideration of humanity and equality issues. IWAY shows us the big difference of standards on sustainability concern between Sweden and our context. It has guided us how to work internationally properly but it went far over our expectation. For example, IWAY also control how we treat the employees. We had not been so serious about it. Think about local artisans who normally work simple tasks at home while watching television. Or a middle age woman who stays with young grandchild alone, it’s better for her to work at home than leaving her grandchild alone. But IKEA’s regulation doesn’t allow them to work like this. In fact, we don’t treat them as employees, we think of them as brothers, sisters, fathers, as a family. We have a very flexible working nature.”

The interviews also revealed that the rising trend of social enterprise is considered as one of the key challenges for Doi Tung because it might affect the partnership with IKEA in the longer term when IKEA will have a wider range of social enterprises choices to work with.
Though Doi Tung views that this is a good global trend, it is also a business risk that Doi Tung realized and has prepared to mitigate.

The ongoing challenges found in the partnership between IKEA and Doi Tung appeared to be consistent to the studies by Hammond (2013) and Di Domenico et al (2009). The partnership can be sustained through the win-win business proposition of both companies while the challenges are due to scale differences between corporations and social enterprises and the long-term challenges are the balancing of business and social goals in the partnership.
6. Conclusion

6.1 Discussion

Partnerships between large scale companies and social enterprises have become more and more common. However, until now most companies were still adopting a philanthropic approach when developing these kinds of partnerships which have showed limited social and environmental impact and especially on the long term. However, through this research and its case study a new approach of partnership between large scale companies and social enterprises have been pointed out. This new kind of partnership is adopting a true business approach and is mainly based on a long-term strategy.

The main difference between this new type of strategy is the change when it comes to the view from large scale companies towards social enterprises. Indeed, while in the past, big companies were seeing social enterprises mainly as an intermediary to do CSR or just to improve their image on the short-term, now they have started to consider them as proper business partners.

This change has many different implications but the main one is the fact that it involves long-term sustainable partnerships. This is why this research focused on the main aspects which improve the sustainability of these partnerships and the benefits for both stakeholders. Most of previous type of partnership consisted of one time project with no proper continuity. It required less resources and investments from large scale companies but also had lower results in terms of benefits for them. By developing a true business partnership, the benefits were considerably increased but required stronger effort to sustain them.

From the study which was conducted for this research, it was found that there are four key points to consider to sustain these type of partnerships. These key points are the partnership selection and preparation, the partnership driver, the partnership nature and the partnership adaptation. It was shown that an equally strong effort should be put into all of them to sustain the partnership but also to ensure maximum benefits out of it.

However, the research also showed that there are many challenges in sustaining this type of partnership which has a hybrid logic of business and social goals. The main one is the gap on the long term between the expectations of large scale companies and the initial priority of the social enterprise which is aimed to improve social and/or environmental issues and not fundamentally aiming at business scalability.

The research showed that the sustainability of partnerships between large scale companies and social enterprises requires more resources than previous short-term or philanthropic partnerships. However, it also showed that if the efforts are properly done and sustained
according the four key points, then there is a true win-win scenario where social enterprises get access to more resources to develop their activity, get contacts to other suppliers from the large-scale companies and also get learnings from the global market to develop their activity but also their impact. On the other hand, the large-scale companies are able to maintain or increase their business by adapting to the increase of socially aware consumers in society but also get precious learnings from social enterprises which can be highly valuable for their future partnerships.

6.2 Limitation

The main limitation of this study is the limited number of interviewees from each company. The findings and insights discovered are from limited perspectives of management level that could be subjective to some extent. Due to time and geographical constraint, the authors could not access to information from broader set of stakeholders who could possibly provide more insight on the study, such as, experts in corporate-social enterprise partnership or cross-sector partnership, group of socially conscious customers, local artisans, and colleagues involved in the partnership on the ground. Additionally, according to time limitation, we could only reach to one case study. So, the empirical findings and conclusion are limited to a specific context of one case study which is not sufficient to generalize.

6.3 Future work

The authors believe that this study has contributed to a greater understanding of corporate-social enterprise partnership. However, future research in the area is required to examine our study and explore unanswered questions in the literatures. First, taking the challenges in corporate-social enterprise into the deeper level, how large-scale corporation and social enterprise manage to align long term expectation on each other, how internal and external challenges be addressed by each counterpart, to what extent the empirical benefits outweigh the challenges when it comes to partnership sustainability. Second, tracking the case study in longer time span, what are continuing challenges most likely to impact the long-term collaboration, what are implications for each partner to simplify and smoothen the partnership process. Third, explore the broader perspectives of corporate-social enterprise partnership, what challenges are the most critical and likely to impact the partnerships in a more general context. The study is focused on the specific context of one case study. Exploring how different corporate-social enterprise partnership formed and sustained in multinational contexts could significantly contribute to the current knowledge.
References


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IKEA Group (2016). *Sustainability Report FY16.* IKEA.


Appendices

A: Interview guide for both IKEA and Doi Tung

Drivers / Motivation
- What benefits were you expecting when you started this partnership?
- What were the motivation of your organization when you decided to start the partnership?
- What does each partner need?
- What are the partner’s incentives to collaborate, and what benefits do they expect?

Objectives
- What do the partners aim to achieve together?

Working process
- Please explain the process of the partnership, how did it start/initiate?
- How were the decision made? What are the decision process?
- Who in the company are involved in the collaboration? What are their roles? What does the “partnership organization chart” look like?

Result
- How will success be measured (KPIs)?
- To what extent does the partnership meet the expectation?

Reflection
- What are top three benefits and disadvantages for your organization and for you personally (can tell more if there’s any)?
- What are top three things you’ve learned from the collaboration?
- What were the major obstacles in this collaboration?
- What could have been changed to make the partnership better?
- In which extent do you take the results of the partnership into account and use them to improve it?
- Any unexpected consequences or opportunities?
B: Interview guide for IKEA

Working process
- What were social enterprise selection criteria?
- What are the difference/similarity in product development process when working with Doi Tung and the usual product development process?

Vision
- What is your view on the long-term partnership with social enterprises? Could it be part of the business strategy?

Result
- To what extent does the product from social enterprise meet the standard of IKEA and customers needs? Please explain.
- Did you know about customer’s satisfaction on this product collection?
- In term of business, did it actually generate profits for IKEA? Is the collection co-created with social enterprise worth investing?

C: Interview guide For Doi Tung

Working Process
- What are the difference/similarity in working process when working with IKEA and the compared to the usual process?

Vision
- What is your view on the long-term partnership with IKEA?
- What if IKEA changed its policy to discontinue the partnership, how would it affect Doi Tung and how would you handle it?

About the artisans
- How do you ensure the benefits for the artisans and with which criteria?
- Do you think that this partnership ensure the same level of benefits for IKEA than for the artisans?
- Were the local artisans involved in the decision making process and how?
- Any extra benefits/value that artisans involved in the projects get? (e.g. healthcare provision, financial benefits....)
D: List of supplement document (non-disclosure)

- Fact sheet about the Next Generation Social Entrepreneurs initiative
- Criteria of social enterprise selection
- Social enterprise supplier assessment form
- Doi Tung annual report 2015
- Doi Tung report on social impact assessment