

Strategic Management and Corporate Responsibility



1. Introduction

Giordano, established in 1981, is known in the Asia Pacific region as the best apparel retailer having more than 6400 employees and above 2100 outlets in over 30 countries worldwide. The company works on contemporary choices of lifestyle, including quality material and simple design in all its products. The commitment to outstanding quality and service has led to the company's successful growth into several brands such as Giordano, Giordano Junior, Giordano Ladies, Beau Monde, and BSX. The company's vision is to become the biggest and the best apparel brand in the world with the mission of making people look great and feel good. With this vision and mission, Giordano has grown from a casual manufacturer of clothing into a leading retailer of apparel for women, men, and children. The company has successfully executed multiple brands and multiple market strategies. Giordano provides essential, relevant, and contemporary fashion for all and develops apparel without discrimination of nationality, ethnicity, or culture to illustrate its brand value of "world without strangers." The corporate values of the company include quality, knowledge, innovation, service, and simplicity. The company provides comfortable, simple, and clean designs with quality workmanship and careful customer service to build a loyal and strong brand identity for Giordano worldwide.

1.1. Approach to Corporate Social Responsibility

The company is committed to treating employees with respect and fairness as it believes in teamwork, cooperation, and trust. Based on merit and ability, the employees are rewarded and promoted for their performance without any discrimination. Giordano also ensures a healthy and safe environment for both the employees and the customers to prevent any accidental happenings in the workplace. The workplace is ensured to be environment-friendly, and the company makes sure that the business activities comply with rules, regulations, and standards of a healthy

environment. Giordano also focuses on having a positive impact on the surrounding communities while doing its business by volunteering for local charities and opportunities related to supporting the education of underprivileged children. Based on its corporate social responsibility approach, the company only partners with suppliers having similar business values and principles. The suppliers of Giordano meet the company's commitment to improved standards of health and safe environmental practices and human rights standards of labor.

1.2. **Approach to Sustainability**

The company's commitment to sustainability involves reduced usage of electricity generated from carbon and other fossil fuels. For this purpose, the company launched its energy-saving lighting in its shops in 2008, which extended to most of its stores in Singapore, South Korea, Thailand, Taiwan, and the Middle East till 2013. The company also has a Green Team to focus on bringing together low-carbon initiatives for different departments. The team organizes various activities every month to motivate the staff for low carbon living.

2. Key tension and dilemmas

Business organizations around the world try to improve their financial position within the industry by following business ethics. Although following business ethics brings significant advantages for organizations, it also has some drawbacks as well (Melé, 2020).

One of the most significant disadvantages of business ethics is that it reduces the overall profit maximization of the organization (Belás, Khan, Maroušek, & Rozsa, 2020). Giordano is manufacturing their appeals products in Hongkong, whereas the watches are manufactured in South Korea. Giordano did not manufacture their products in developing countries to produce low-cost products by offering minimum wages in those countries. Giordano ensures that they provide a safe and healthy working environment to their employees and labor. Giordano follows

the ethical safety standards, but it will raise the cost needed to operate the factory in return. This, in turn, will reduce the profit margins.

The expectation of different stakeholder is different, and it becomes difficult for an organization following business ethics to meet the expectations of their stakeholders (Carroll & Buchholtz, 2012). Giordano has to engage with customers, suppliers, shareholders, labour groups, and communities. Each of these stakeholders has different priorities, which Giordano has to take care.

An external environment is highly unpredictable. To follow ethical business organizations, they have to follow the law imposed by the government (Correia & Lucena, 2020). Giordano has to follow the law and regulations which are developed by the government of Hong Kong. Giordano has to comply with labor laws, health, and safety guidelines and govern privacy.

Another ethical dilemma for the organization is to follow the approach of "doing good vs doing well" (Cragg, 2017). Giordano has to generate high profits for its shareholders by keeping themselves well aligned with the ethical code of conduct. Giordano emphasizes diversity and inclusion. The retail store has hired people from different races, gender, sexual orientation, and disabled people. Diversity has imposed additional costs on businesses. They provide restrooms to transgender and assistive technologies to blind and impaired people.

Triple bottom line believes that business organizations should focus on environmental and social concerns rather than revenue and profits (Gimenez, Sierra, & Rodon, 2012). Giordano generates profits and has launched various CSR programs to help the victims of earthquakes and tsunamis. The retail store also conducts a GIOTHON walk in which customers and the general public both walk for charity. The CSR program of Giordano has also affected the profit and revenue of any organization (Yoo & Lee, 2018). The CSR program shifts the profit-making objective of

Giordano. The retail store has to cut its profit margins to run the CSR program efficiently, which makes shareholders unhappy and dissatisfied.

Business ethics reduces the profit earning ability of an organization by putting limits on its operations (Parboteeah & Cullen, 2013). Giordano spends time, money, and other valuable resources on issues not focused on the bottom line. Moreover, the cost of doing business increased as the organization's overall expenses increase because of following business ethics. Giordano is following business ethics strictly. The retail store pays employees and workers fair pay, which also decreases the profit generation.

One of the disadvantages of an ethical compliance program is that it requires comprehensive and continuous management and leadership support. If the management team members apply their version of corporate ethics, then a clash or conflict arises in the workplace. The implementation of business ethics at the workplace is time-consuming. Giordano tries to become more ethical and continuously update as per the laws and regulations. This will reduce the productivity and efficiency level of Giordano.

Giordano has to present the actual financial and market position of the organization to its investors. Giordano's financial and market position depends on the strategies implemented by the top management of Giordano. An ethical approach is to present the actual financial and market position of Giordano to the investors. The top management of Giordano ensures fairness in presenting the financial reports to the investors. Based on market position and financial position, the investors make an investment decision (Hervé, Manthé, Sannajust, & Schwienbacher, 2019). The ethical organization follows its corporate values (Handayani, Rohman, Chariri, & Pamungkas, 2020). These values exert too much pressure on the leadership of the organization. Giordano has to ensure that the core value of their organization is integrated into every part and

process of the organization. Business ethics keeps on changing from time to time (Ferrell, Harrison, Ferrell, & Hair, 2019). The management and leadership of Giordano revise their business ethics as per the needs and desires. One of the most significant disadvantages of business ethics is that Giordano has to train and guide their employee every time they bring a change in their standards and policies.

3. Proposal assessment

3.1. Reduce product quality by reducing the quality of inputs

Customers look for high-quality and trendy apparel products. The use of low-quality input and low-quality products makes customers dissatisfied (Seyedaliakbar, Zaripour, Zangeneh, & Sadeghi, 2016). The consequences can be more severe as the loyal customers of Giordano may start the hunt for alternate organizations providing better quality products at an affordable price. Therefore, Giordano may lose its loyal customers and may see a significant decline in the overall sales of the products. A decline in sales affects the overall profit and revenues of Giordano. The bargaining power of suppliers is low as there are many suppliers in the market (Shtal et al., 2018). The suppliers can easily provide low-cost material to Giordano from which they can make a low-quality product. However, a low-quality product does not meet the standards and quality parameters being followed by the industry.

In today's competitive environment, business organizations are keen to acquire new customers, increase distribution networks and retain the existing customers. The external market environment is extremely competitive (Ndegwa, Kilika, & Muathe, 2019). There exist various competitors of Giordano, which includes Christopher & banks, Bossini, Desigual, Lee Enterprises, Bob's Stores, and The Talbots. These competitors are providing quality products to their customers. These brands use competitive pricing and premium pricing strategies. Giordano

can make low-quality products by using low-quality inputs. However, to act ethically, Giordano has to lower the prices of their products as well, which has changed the perception of customers and the goodwill of the organization.

The current corporate values of Giordano are; Quality, knowledge, innovation, service, and simplicity. By offering low-quality products to the customers, Giordano deviates from its corporate values, not an ethical approach. Another corporate value of Giordano is to meet the expectations. Giordano will not be able to meet customer expectations and the promised quality with their customers. Corporate values play a vital role in attaining business goals, customer relationships, and the organization's growth. Offering low-quality products will hurt Giordano's relationship with customers and the overall growth of the business.

The vision statement of Giordano is to become "the biggest and best world brand in apparel retailing." On the other hand, the mission statement is to "Make People "Feel Good" and "Look Great." Customers may not look good and feel good by using a low-quality product of Giordano. By offering low-quality products, Giordano cannot achieve their ultimate vision and mission (Woo & Jin, 2014).

The current inflation rate of Hong Kong is 0.3%. A low inflation rate will increase the purchasing power and decrease the manufacturing cost of apparel products (Wong, 2019) as Giordano's potential target customer purchasing power is already high. The customer can purchase apparel products of Giordano with more ease due to the low inflation rate. Moreover, Giordano can produce products at a low cost because of the low inflation rate. Furthermore, a low inflation rate helps Giordano to sell more products to their potential customers. Therefore, manufacturing products with low quality by using low input may not sound feasible.

Investors/shareholders are very much concerned about the product and services offered by an organization. The investors may show their concerns about minimizing the quality of the apparel products (Armour, 2020). This proposal may have some serious consequences, and the investor may have started thinking about not investing in Giordano in the future. Investors support business strategies that give them a maximum profit on their investment.

3.2. Maintain quality but reduce the range of CSR activities

Most businesses worldwide are failing to build the trust of their customer because of not maintaining the quality of their products (Rita, Oliveira, & Farisa, 2019). Giordano has to maintain the quality of its products. When they gain the confidence of their customer, they can raise their apparel products' prices to generate more revenues. If Giordano produces a product, then it can result in fewer complaints and product returns. The customers would like to make a repeat purchase of Giordano if the products are of high quality. A repetitive purchase of customers will ensure the sustainable financial growth of Giordano.

The customer now a day would like to buy products and services from business organizations that give society the profits they generated with their business activities (Wikhamn, 2019). A reduction in CSR activities affects the sales number of Giordano. Once the sales number is affected, it will reflect in the profit and revenue of Giordano.

Quality plays a vital role in keeping the customer satisfied. Customers who are more inclined towards a brand are loyal and would buy the same products and services in the future.

Maintaining the quality of a product plays a significant role in gaining long-term revenue and profits (Li, Reimann, & Zhang, 2018). Giordano needs to maintain the quality of its products and gradually penetrate different market segments. Once customers started trusting the brand and

show loyalty Giordano can raise their product prices. The profit generated by raising the price of the product can be used for the CSR program.

To maintain the quality of the product, Giordano has to follow the defined industry quality standards (Hsu, Kalesnik, & Kose, 2019). In simple words, Giordano has to comply with the quality standards. One of the major concerns of investors is to provide superior quality products to the customer so that they remain satisfied and loyal to the brand. However, the investors are very much happy with Giordano managing the quality of the product. Similarly, they are very much delighted with reducing CSR activities as their profit margin will rise. It is because the amount of profit Giordano invested in different CSR activities will reduce; as a result, the profit margin of shareholders/investors may increase.

In an external environment, there exist competitors and rivals (Kuokkanen & Sun, 2020). A reduction in CSR activities of Giordano main raises the sales number of the Rivals. Customers are very much concerned about the brands and organizations. They are very much interested in analyzing whether the organization is giving something back to society from their earnings or not. Therefore, a customer might show loyalty to Rivals and competitors of Giordano. Moreover, Giordano may face a significant impact on the reputation of the organization. Customer perception regarding Giordano might change, which has affected the goodwill of the organization.

There is a specific cost of maintaining the quality of the product (Abbas, Ahmed, Salman, & Ashraf, 2015). Giordano has to continuously invest in technology to match the standard of the industry. Giordano has to use the latest and advanced technology to bring advancement in their processes and procedures of manufacturing and apparel products. The technology has also allowed Giordano to reduce their cost and enhance productivity and profitability.

4. Proposal for directors

4.1. Clean Manufacturing and Green Practices in the Giordano Apparel Supply Chain

4.1.1. Overview

The main aim of this proposal is to implement clean manufacturing and green supply chain practices to reduce carbon emission, chemicals, and solid waste. Furthermore, the aim is also to use different green supply chain practices to reduce the overall cost of manufacturing.

4.1.2. Goals

Below given are the main goals of this proposal.

- Reduce the cost of apparel manufacturing through clean manufacturing.
- Reduce green practices in the supply chain to reduce cost.
- Improve the goodwill of the Giordano by using clean manufacturing and green manufacturing practices.

4.1.3. Practices of green supply chain and clean manufacturing follow by Giordano

4.1.3.1. Energy-efficient consumption

The apparel industry is the second largest polluting industry in the world. It is because in the past couple of decades, the apparel industry has seen significant growth. Therefore, energy consumption is one of the biggest concerns in the apparel industry. Giordano may use renewable energy and solar water heating practice, which may reduce carbon emission. The use of renewable energy and solar water heating has allowed Giordano to save costs on sewing machines, load heating, and lighting systems.

4.1.3.2. Reverse Logistics

Waste management and cleaner production are getting popular in the textile and apparel industry. Giordano can use a reverse logistics approach to save costs incurred on buy raw material from

the suppliers. A reverse logistics is a process in which the products which are used by the customer are returned to the organization through the supply chain network. Giordano will remake the apparel product from the useable apparel products, which save the cost of raw material purchase from supplier. The product which was sold by Giordano reached back to the point of production. the products which are returned back to Giordano is recycled this will allow Giordano to create extra value for customer from already sold product

4.1.3.3. Green supplier

Supplier selection is one of the most important tasks for an apparel organization. The selection of suppliers affects the operational performance, competitiveness of the market, quality procurement, and efficiency level of the organization. However, the supplier selected by Giordano did not inform regarding the material the extract. The material used by Giordano may affect the environment. Therefore, it needs to be mandatory for a supplier to disclose all the information related to the extraction of material to the procurement department of Giordano. Furthermore, only those suppliers will be selected in the future who use environmental-friendly material.

4.1.4. Outcomes

The outcomes of the proposal are given below;

- Giordano can save 7% of the energy cost which was incurred in different manufacturing phases.
- The use of environmental-friendly inputs which the help of green supplier approaches, improves the goodwill of Giordano.
- The manufacturing cost of apparel products declines by 5%, which improves the profitability of Giordano.

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