CSR in the Purchasing Process

Through an Ethical and Environmental Perspective

Authors: Hannah Gullander, Sara Johansson & Sara Svensson
Examiner: Åsa Gustavsson
Supervisor: Petra Andersson
Semester: Spring 2012
Course code: 2FE02E
SUMMARY

Title:
CSR in the Purchasing Process
Through an Ethical and Environmental Perspective

Authors:
Hannah Gullander, Sara Johansson, Sara Svensson

Research questions:
Main Question: How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?

✦ Sub Query 1: How do companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria?
✦ Sub Query 2: How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold the CSR criteria?

Purpose:
The purpose is to identify how companies who have implemented CSR work with their suppliers in different situations.

Methodology:
The thesis’ research method was quantitative with a deductive approach and a positivistic viewpoint. The empirical data was collected through two case studies in which interviews was be made and documents studied. The method for analysis was qualitative as a pattern matching was made. The authors reviewed the thesis according to qualitative measurements for quality.
Conclusion:

**Main Question:** Companies with different types of products, who have implemented CSR, works actively with CSR in their purchasing process. The presence of CSR in the process is continuously improved. How to work with CSR in the purchasing process does not seem to depend on the industry nor the perspective the focus is on. It seems more likely to depend on how far the company has come in its CSR work.

**Sub Query 1:** Companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria by having made CSR present in all stages of the sourcing process. Both DHL and IKEA have sub-processes handling these steps. CSR is most clearly shown in the particular step where the selection of a supplier is made. This is not surprising as it is a vital part. This is where the company decides to work with a supplier that will uphold their good reputation.

**Sub Query 2:** Companies with different types of products, who have implemented CSR, ensures that their suppliers uphold the CSR criteria by close relationships and extensive evaluations. It is by the relationship that transparency is possible. The evaluation is the most important way that a company can ensure that they only work with suppliers who comply with CSR, and who is not a risk for the company’s reputation.
PREFACE

The authors have during the spring semester been faced with the task of studying a phenomenon within the area of Supply Chain Management. The authors chose to immerse themselves in the phenomena of Corporate Responsibility in the Purchasing Process. The thesis has contributed to a greater insight and understanding in these subjects.

The authors would like to express their gratitude to the thesis’ supervisor Petra Andersson for her advice and guidance, the thesis’ examiner Åsa Gustavsson for the feedback she gave during the seminars and the opponents of the thesis for the constructive criticism.

The authors would also like to thank all the respondents of the selected companies DHL and IKEA who took time to answer the interview questions. They have all been very helpful and forthcoming in the empirical data collection.

Växjö, 22nd of May 2012

_________________  ___________________  ___________________
Hannah Gullander       Sara Johansson       Sara Svensson
TABLE OF CONTENTS

1. INTRODUCTION ........................................................................................................... 1
   1.1 Background ............................................................................................................. 1
   1.2 Research Discussion ............................................................................................... 3
   1.3 Research Questions ................................................................................................. 6
   1.4 Purpose ..................................................................................................................... 6
   1.5 Limitations ............................................................................................................... 6
   1.6 Timetable ............................................................................................................... 7
   1.7 Thesis Disposition ................................................................................................. 8

2. METHODOLOGY ........................................................................................................... 9
   2.1 Scientific Viewpoint ............................................................................................... 9
   2.2 Scientific Approach ............................................................................................... 10
   2.3 Research Method .................................................................................................. 11
   2.4 Research Strategy ................................................................................................ 13
   2.5 Sample Selection .................................................................................................. 15
   2.6 Data Collection .................................................................................................... 17
   2.7 Interviews ............................................................................................................. 21
   2.8 Data Analysis ........................................................................................................ 22
   2.9 Measurements for Quality .................................................................................... 23
   2.10 A Summary of the Methods ............................................................................... 25

3. THEORY ....................................................................................................................... 26
   3.1 CSR ....................................................................................................................... 26
       3.1.1 Different Responsibility Areas ........................................................................ 27
       3.1.2 Code of Conduct ............................................................................................ 31
   3.2 Purchasing ............................................................................................................. 32
       3.2.1 The Purchasing Process in a Company .......................................................... 33
   3.3 Sourcing ............................................................................................................... 34
       3.3.1 Specification .................................................................................................... 34
       3.3.2 Selection .......................................................................................................... 34
       3.3.3 Contracting ..................................................................................................... 36
   3.4 Supply .................................................................................................................... 37
5.2 Responsibility Area ........................................................................................................................................... 82
5.3 Purchasing .......................................................................................................................................................... 83
5.4 The Purchasing Process ................................................................................................................................. 84
5.5 Specification ..................................................................................................................................................... 86
5.6 How to Select and Assess Suppliers .............................................................................................................. 87
5.7 Contracting ....................................................................................................................................................... 89
5.8 Ordering ............................................................................................................................................................ 90
5.9 Expediting ...................................................................................................................................................... 91
5.10 Supplier Relationships ................................................................................................................................. 92
5.11 Evaluation ...................................................................................................................................................... 93
6. CONCLUSION AND RECOMMENDATION ......................................................................................... 98
6.1 Conclusion: .................................................................................................................................................... 98
6.2 Recommendations: .................................................................................................................................... 103
7. REFLECTION .................................................................................................................................................. 104
8. SUGGESTIONS FOR FURTHER RESEARCH .................................................................................... 106
REFERENCES ................................................................................................................................................... 108
APPENDIX ......................................................................................................................................................... 114
Appendix 1: Interview Guide for DHL ................................................................................................................ 114
Appendix 2: Interview Guide for IKEA ............................................................................................................... 116

List of Tables

Table 1: Thesis’ Timetable

Table 2: Interview List

Table 3: Document List

Table 4: An Overview of the Theories

Table 5: Summary of Operationalized Terms

Table 6: Principles and Group Policies
List of Figures

Figure 1: Thesis Disposition

Figure 2: An Overview of Sampling Techniques

Figure 3: A Summary of the Methods

Figure 4: The Purchasing Process by van Weele

Figure 5: The Purchasing Process by Shao et al.

Figure 6: Kraljic’s Portfolio Matrix

Figure 7: Analysis Model

Figure 8: Efficiency Improvement Measures

Figure 9: Overview of DHL’s Purchasing Process With the 5 Step Sourcing Process Included, Starting After “Not in Portfolio or Optimization”

Figure 10: DHL Classification Matrix

Figure 11: DHL Cosmo Model

Figure 12: Hierarchy Within Purchasing in IKEA Components

Figure 13: IKEA Component’s Purchasing Process 1

Figure 14: IKEA Component’s Purchasing Process 2

Figure 15: IKEA Component’s Sourcing Process

Figure 16: IKEA Component’s Classification Model

Figure 17: IKEA Component’s Supplier Management Process

Figure 18: IKEA Component’s Risk Classification

Figure 19: Analysis Model

Figure 20: Comparison of DHL’s and IKEA’s Work With CSR
Figure 21: Comparison of DHL’s and IKEA’s Responsibility Areas

Figure 22: Comparison of DHL’s and IKEA’s Work in General Regarding Purchasing

Figure 23: Comparison of DHL’s and IKEA’s Purchasing Processes

Figure 24: Comparison of How DHL and IKEA Works With Specification in the Purchasing Process

Figure 25: Comparison of How DHL and IKEA Work With Assessing and Selecting Suppliers in the Purchasing Process

Figure 26: Comparison of DHL’s and IKEA’s Work With Contracting in the Purchasing Process

Figure 27: Comparison of How DHL and IKEA Order in the Purchasing Process

Figure 28: Comparison on DHL’s and IKEA’s Work With Expediting in the Purchasing Process

Figure 29: A comparison of How DHL and IKEA Works With Supplier Relationships in the Purchasing Process

Figure 30: A comparison on DHL’s and IKEA’s Work With Evaluation in the Purchasing Process

Figure 31: A Comparison Model of DHL’s and IKEA’s CSR Work in the Purchasing Process
1. INTRODUCTION

The introduction aims to give the reader a short background to CSR, which then leads into the research discussion on CSR in the purchasing process and suppliers, which becomes the basis for the research questions. The section ends with the purpose and disposition of the thesis.

1.1 Background

When a company’s actions do not accord with laws, industry norms or the norms that have arisen within an organisation, the company’s responsibility will be questioned and they risk being criticised in the media. Mistrust will form within the public and a scandal will be a fact (Borglund, 2009).

In the late 20th and early 21st century several corporate scandals occurred around the world creating mistrust against companies and its values (Borglund, 2009). These scandals were for example: financial scandals\(^1\), the findings of child labour in production\(^2\), hazardous waste being released in the environment\(^3\) and dangerous working conditions\(^4\).

Further, Borglund (2009) suggests that to avoid companies from ending up in scandals, being exposed to criticism, or in order to get out of a scandal that has already occurred; companies ought to take actions that will raise their level of responsibility towards society. When companies take on different kinds of responsibility this can result in, not only the creation of trust towards its surroundings, but also in winning back lost trust. That in turn can result in goodwill for the company and competitive advantages on the market.

From the increased mistrust caused by scandals and pressure from non-profit organizations such as Amnesty International and Green Peace, who have held public debates regarding how global companies need to take a bigger responsibility, a counter force called CSR, Corporate Social Responsibility, has developed (Borglund, 2009).

\(^2\) http://news.bbc.co.uk/2/hi/programmes/panorama/970385.stm [2012-05-12]
\(^3\) http://usa.chinadaily.com.cn/china/2011-09/02/content_13602641.htm [2012-05-12]
The concept stands for a company taking a social responsibility towards all its stakeholders such as the owners, employees, customers, financial institutes and suppliers, and hence; gains the society’s trust (Grankvist, 2009).

The level of responsibility a company’s stakeholders expects it to have depends on the product they offer, within which industry they work, as well as where in the world they are working. These aspects are then put in relation to the different perspectives environment, ethics, social and economy, which are all different areas of responsibility within CSR. It is not about if a company should take responsibility or not but rather how they should work in order to take responsibility (Borglund, 2009). CSR is a part of a company’s strategy and is recognised as a value-maker for companies, investors as well as other stakeholders. Its purpose lie not only in creating short term value but also in being able to approach different questions and try to create a long term value for those involved (Porter & Kramer, 2006).

Earlier it was foremost the big global companies that received criticism regarding shortcomings on their responsibility taking since it was those companies who were mostly exposed on the market. Therefore it has been these companies who have had the biggest pressure on them to work with CSR (Borglund, 2009). Examples of companies are DHL who started their CSR work due to customer demands and IKEA, who is a pioneer within the CSR work.

CSR is an important concept and has been recognised more and more in society as the media’s interest in the matter has increased. A review of companies worldwide in the industrial life and their different ways of working has led to that different responsibility matters have been recognised and highlighted (http://www.msr.se). This has led to both investors and consumers being enlightened and aware of their environment, both locally and globally. The stakeholders are now not only interested in how companies treat their employees but also in how a company’s supplier relationships are, and how the suppliers treat their employees. New values, opinions and preferences have arisen among consumers and other stakeholders who have resulted in higher demands on products and companies. These demands can for example; be that stakeholders refuse to
make business with products made from child labour, that the work places need to be secure and that the employees, no matter in which country they work, shall have reasonable salaries (Brunk & Bluemelhuber, 2010; Hietbrink, Berens & van Rekom, 2010). In order to ensure that these demands are being met, companies can create guidelines such as Codes of Conduct for both the company and its suppliers to follow (Enarsson, 2006).

Taking a social responsibility is not only about taking care of and handling the company’s own operations but also about managing the whole supply chain. This is because of how the purchasing process is affected by how the suppliers work and behaviour is. Stakeholders’ demands have led to companies being forced to integrate non-economic criteria while purchasing and procuring (http://www.msr.se).

1.2 Research Discussion

When the concept of CSR is adopted into a company, it should affect the whole company and how each department works (Grankvist, 2009). The authors find it most interesting to see how this affects the purchasing department, and more specifically, the purchasing process. This as purchasing has emerged as an important participant in the corporate sustainable enterprise debate (Handfield et al., 2002). The purchasing process is a part of a company’s operation and, according to van Weele (2010), consists of six different steps: Specification, Selection, Contracting, Ordering, Expediting and Evaluation. The purchasing process is not something that is rigid and inadaptable, which can be seen in Shao et al.’s (2008) model which, though similar to van Weele’s (2010), consists of only three steps; strategic purchasing, purchasing execution and finally purchasing implementation and monitoring. Regardless of the model chosen to work with, each step can look very different from industry to industry, company to company and perhaps as well from supplier to supplier within the same supply chain (Bhattacharya, Korschun & Sen, 2012).

The authors would find it interesting to see how two global companies in different industries with different type of products, who officially have stated that they work with CSR through either an ethical or environmental perspective, handle these kinds of
situations. Two good examples of companies who fulfil these criteria are DHL and IKEA. The reason why the authors find global companies interesting to study is because they have probably come further in their CSR work as they, according to Borglund (2009), are in focus in media and therefore have a bigger pressure on taking responsibility. The reason why the authors would like to study two companies in different industries and who offers different products is because they want to see if the companies’ CSR work is different or not because of this.

Every buying situation looks different because suppliers are so different. Factors such as country, culture, size and laws will affect how the supplier behaves and conducts its work (Baines & Harris, 2006). Since suppliers are so different, in different parts of the world, does that make them differently risky to make business with? If a company makes this kind of risk classification it would be interesting to see what they base it on; do they make an assessment regarding the complexity of the product? The country the suppliers work in? The cultural differences? How big the risk is that the Code of Conduct will be broken? It would as well be interesting to see if the purchasing process adapts to the risk level and this particular buying situation and if the supplier relationship is affected by the supplier’s risk classification.

To ensure that a company’s suppliers fulfil the requirements set upon them, a good relationship is necessary. The best way to achieve this is by trust and information exchanges (Van Weele, 2002). According to Enarsson (2006) there are certain elements that are crucial regarding if a relationship will be successful or not. These are for example that both parties need to be strongly motivated to start a relationship; they should work more efficiently together than they do separately and mutual respect is needed.

CSR is a concept that is still in development and there is no such thing as a CSR “rulebook”. That means that even if two companies have adopted the CSR concept they can still work very differently with it. A reason for this might be that the definitions of terms are different between companies (Grankvist, 2009). Would this then mean that, for example, one company defines reasonable working conditions lower than another
company, and yet they both still market themselves as considering worker’s conditions when in fact the standards differ a lot?

When studying the purchasing process it is then very important to understand what the company’s different CSR definitions are in order to know how they operationalize this when selecting and evaluating their suppliers (Lee & Carroll, 2011; Grankvist, 2009). Perhaps the industry that the company works within has a norm of how to interpret CSR and how to define certain terms. Is this the case with the companies we have chosen to work with, or have they created their definitions all by themselves? Or perhaps there is a norm but they have chosen to ignore it or adapt it.

Does the company have one Code of Conduct which applies to all suppliers or several which are adapted to the risk level? Depending on the level it would be interesting to see if the evaluation of the supplier will be handled differently; will for example a high risk supplier have more audits and company visits then a low risk supplier or are they all treated the same?

Besides making a risk assessment, will the company as well make an assessment in which aspect of CSR the supplier is most likely to be weak in? If this is made, it would be interesting to examine if this affects the purchasing process; will the company then have for example different evaluation criteria more adjusted to that CSR aspect? Will the Code of Conduct contain different things? Another interesting aspect to treat is if the purchasing process is affected by the CSR perspective that the company has chosen to focus on. Would another perspective mean different ways of working or would for example the criteria, Codes of Conduct and relationships still be treated in the same manner?
1.3 Research Questions

*Main Question*: How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?

- *Sub Query 1*: How do companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria?
- *Sub Query 2*: How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold the CSR criteria?

1.4 Purpose

The purpose is to identify how companies who have implemented CSR, work with their suppliers in different purchasing situations.

1.5 Limitations

This thesis is limited to two of the CSR perspectives. The main reason is because the amount of time provided for writing the thesis was too short to enable a thorough study, if all four perspectives were to be included. The authors chose the Environmental and Ethical perspective. This was because the authors wanted to study a company’s morals and values more than their economic goals and charity work.
## Table 1: Thesis' Timetable (Self-made, 2012)

<table>
<thead>
<tr>
<th>Week</th>
<th>Schedule</th>
<th>Deadlines</th>
<th>Our Aim for the Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Pm0</td>
<td>1-3 pages, describe the subject and planned performance Chapter 1 (introduction) shall be done, a rough draft of the methodology and disposition should be presented, 5-10 pages</td>
<td>The authors will have decided the subject, what kind of companies and what industries to study and what methodology to use.</td>
</tr>
<tr>
<td>13</td>
<td>Submission PM1</td>
<td></td>
<td>Find companies to contact for the study and write chapter 1, methodology and make a figure of the disposition, decide what theory to use.</td>
</tr>
<tr>
<td>14</td>
<td>Seminar Pm1</td>
<td>Methodology shall be completed 10-20 pages</td>
<td>Make changes after the seminar, write methodology and theory chapter, create interview questions, have the companies ready.</td>
</tr>
<tr>
<td>15</td>
<td>Submission PM2</td>
<td>Theory shall be completed 20-40 pages</td>
<td>Write the theory chapter, schedule the interviews</td>
</tr>
<tr>
<td>16</td>
<td>Seminar PM2</td>
<td></td>
<td>Make changes after the seminar, finish the theory, conduct the interviews, produce a rough draft of the analysis</td>
</tr>
<tr>
<td>17</td>
<td>Submission PM3</td>
<td></td>
<td>Conduct and compile the interviews, finish the process mapping, finish analyze and start the conclusion</td>
</tr>
<tr>
<td>18</td>
<td>Submission +</td>
<td>Empirical Data and Analysis shall be completed, preferably also the conclusion</td>
<td>Make changes after the seminar, finish the Thesis</td>
</tr>
<tr>
<td>19</td>
<td>Seminar PM4</td>
<td>The thesis should be almost complete</td>
<td>Proofread Thesis</td>
</tr>
<tr>
<td>20</td>
<td>Schedule examination of script</td>
<td></td>
<td>Write Opposition</td>
</tr>
<tr>
<td>21</td>
<td>Submission of Thesis, Last day for examination of script</td>
<td>Finish thesis, print out two scripts and submit as pdf-file</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Final Seminar</td>
<td>Main Opposition 3-4 pages</td>
<td></td>
</tr>
</tbody>
</table>

*Table 1: Thesis’ Timetable (Self-made, 2012)*
1.7 Thesis Disposition

![Diagram showing the thesis disposition, including main and sub questions, empirical data, theory, and analysis.](Image)

*Figure 1: Thesis Disposition (self-made, 2012)*
2. METHODOLOGY

In this chapter the authors will explain and justify the methods they chose for this thesis. It also includes an introduction to the primary and secondary sources as well as the companies that will be subject for the empirical study. The chapter ends with a summary.

2.1 Scientific Viewpoint

There are two well-known assumptions within the scientific viewpoint; positivism and hermeneutics (Bryman & Bell, 2005).

**Positivism:**
This is an epistemological position which recommends that scientific method should be used in studies of social reality and its various aspects. Positivism means the following:

- Real knowledge is only the phenomena that can be confirmed by our senses; this is also called phenomenalism (Bryman & Bell, 2005).
- The purpose of theory is to generate hypothesis that can be tested and set against different explanations; this is also like deductive scientific approach (Bryman & Bell, 2005).
- The science that is presented should be free from valuation; this is called objectivity (Bryman & Bell, 2005).

**Hermeneutics:**
This is a concept that derives from theology, which was first designed to interpret and understand texts. The difference from positivism is that here the researchers want to understand people and their behaviours, to discuss problems, interpret, engage and see the facts and values, and sense as one unit. The essence of hermeneutics is for the researcher to present the text from the viewpoint of the originator (Bryman & Bell, 2005).
The Thesis’ Scientific viewpoint:

The way this thesis is structured made a positivistic viewpoint necessary. This as the authors listened to the companies’ answers when they interviewed them and accepted their information in an objective way. The same was done while studying documents provided by the companies. The authors kept a distance to the hermeneutic view since they did not interpret the response from the companies. Through a positivistic viewpoint the authors gained insight in the companies’ work with CSR in their purchasing process in order to contribute to an objective empirical data.

2.2 Scientific Approach

There are two main approaches as to how theory and practical studies are connected, these are deductive and inductive. In deductive the hypothesis is based on ideas that have been derived from the theory. Inductive approach is the opposite, where theory is generated from the practical study. These two however are not exclusive alternatives but rather tendencies (Bryman & Bell, 2005).

**Deductive:**

In the deductive approach the empirical study needs a hypothesis before the research can begin. The deductive approach is the most well known relationship between theory and empiricism. In this approach one or more hypothesis’ are formulated from own knowledge and theory that has been studied. These are then to be tested empirically to be approved or rejected. The concepts used in the hypothesis therefore have to be something that can be explored. It must be specified how the authors will go about the data collection. The theory and the hypothesis determine how the process will be designed. The result will then later on be linked back to the theory and hypothesis. The deductive approach works in a linear and logic way (Bryman & Bell, 2005).

**Inductive:**

The inductive approach is when a theory is formed based on empirical grounds according to Bryman and Bell (2005). Here the empirical studies are done first and then the theory is the result of the research. Generalisable conclusions are drawn from
the empirical observations that have been conducted. It is common to work back and forth between empiricism and theory; this is because it gives the opportunity to go back and find more observations that enhances the conditions under which the theory is durable. This approach is often called the iterative approach, which you can clearly see in grounded theory (Bryman & Bell, 2005).

*The Thesis’ approach:*

The way the research questions were formulated called for a deductive approach. This since the authors studied theory first, in order to gain an understanding of CSR in the purchasing process. It is from this theory that the authors gained an understanding in which variables to use and operationalize. They chose not to follow an inductive approach since they felt there were a lot of theory already out there about CSR which they want to get acquainted with before going out and doing their own empirical studies.

2.3 Research Method

The two main research methods are quantitative and qualitative research. The qualitative study is a method used when data is depicted in words and not quantities. Qualitative research places emphasis on how well individuals understand and interpret their social reality. The qualitative method captures the social reality that individuals create. It follows a non-linear research process. The quantitative research method on the other hand places emphasis on quantification in the collection and analysis of data. The quantitative research process has an inclination towards the natural scientific approach and the perception that reality is objective. It follows a linear research process (Bryman & Bell, 2005).

*Qualitative Research:*

The qualitative research is usually associated with an epistemological position which focuses on interpretation. This means that the understanding of the social reality is based on how people interpret reality from the environment they live in. The ontological position that is associated with the qualitative research method is constructionism. This says that social features are a result of interaction between
individuals and not something that exists “out there”. The order in which qualitative research is usually carried out starts with general research questions. Thereafter relevant sites and persons for examination are selected and the collection of relevant data begins. Then it is time for interpretation of the data and conceptual and theoretical work. It is now time for the general research questions to be specified and if collection of more data is necessary, if not a written report of the research is written. The qualitative research has more of an inclination to the social science rather than the natural sciences. This means that they try to see the world through the eyes of the subject that is being studied (Bryman & Bell, 2005).

**Quantitative research:**
Quantitative research method is the more dominating method in business and here the quantitative data is important. It has a certain connection to the natural sciences and positivism as the perception of reality is more objective. When you do a survey after quantitative method it is more of an ideal account or description of the process; however in reality it is rarely as simple and straightforward. Here the researcher begins with theory and from there presents a loose hypothesis along which data then is collected. In which way the researcher designs the research will affect the external validity and the ability to prove causality in the results. Four important key features according to Bryman and Bell (2005) in quantitative method are measuring, causality, generalization and replication. Measurement is considered important since it shows small differences by using a consistent tool and can provide more precise estimations. Causality is important because quantitative researchers do not want to describe how things are but why they are that way. It is also in their interest to do something that can be applied on other situations and groups and therefore generalization is important. Replication is another crucial aspect since quantitative research is closely associated with natural science and the ability for other researcher so to be able to redo the experiment and receive the same outcome; this since it is important to provide a solid view of reality (Bryman & Bell, 2005).
The Thesis Research method:
The authors of this thesis followed a qualitative research method when collecting the data. This is because they conducted interviews and the data was composed in words, not quantities. Further they used a qualitative method when analyzing the data and compiling it in words. This was chosen as the authors felt that in interviews, rather than surveys, the respondents would be given the opportunity to more freely express how they work.

However the authors also used the quantitative research method as they did not interpret the response from the interviews. This was appropriate as the authors are positivistic and it is in their nature to be objective to answers from the respondents.

It was to the author’s favours to use a mix of qualitative and quantitative research method as they collected the data in words and did not interpret it.

2.4 Research Strategy

Case study:
Yin (2009) says that the first things to be done in a case study are a thorough literature review and well considered and stated research questions. Further he explains that case studies can be done either as single- or multiple-case studies. It is usually associated with qualitative research but is not limited to this as it can sometimes be almost limited to quantitative evidence. In the dilemma of whether to choose a single or a multiple case Yin (2009) says on page 60-61 that “when you have the choice..., multiple-case designs may be preferred over single-case designs... the analytic benefits from having two...cases may be substantial.” Yin (2009) provides five components for research design, they are as follows:

- **The study question** provides a good idea of what research method that should be used. The study questions that are usually associated with case studies are “how” and “why”. How to formulate your question can be difficult and Yin (2009) suggests; first to use the literature to narrow your interest and then examine a few of key studies on this topic and from here identify those few
questions from the studies and weather they conclude with new questions or loose ends for further research.

- Then is the time to make a study proposition that reflects on the theory and provides an idea of where to look for evidence. Not all studies need a proposition; this is common for “explorations”, though these still need to have a purpose.

- The third component is a unit of analysis; this is the fundamental part that defines what the “case” is. The question and unit of analysis with a colleague assure that the unit has been chosen correctly. The desired case should be a real life phenomenon.

- Next is to link data to propositions and criteria for interpreting the findings. This is done through analytic techniques. The once discussed by Yin (2009) are “pattern matching, explanation building, time-series analysis, logic models and cross-case synthesis”. The analysis requires that you will combine your data with as a direct reflection of you study proposition. It is difficult to know how much data will be needed.

- Criteria for interpreting a study’s findings means that rival explanations needs to be identified. This should be done in the research design stage to make sure the study can be completed.

The criteria used for judging the validity of a case study is the same as used in most social science methods. These are commonly used to establish quality of any empirical social research. Reliability’s objective is to make sure that if the study was made again, following the same procedure as described by the earlier conductors, the new study would come to the same result (Yin, 2009).

*Survey strategy:*

This strategy is usually connected to a deductive approach. It is popular since it collects a lot of data from a sizeable population. The data is often collected by a questionnaire and the data is standardized which makes it easier to compare. This can
be done in already existing software. This can be time consuming as well as the process to ensure your sample is representative (Saunders, Lewis & Thornhill, 2009).

This Thesis’ Research Strategy:
In this thesis the authors followed a multiple case study when looking at the two companies; this as they felt that two cases provided a better understanding of the phenomenon than just a single case. A case study is suitable because the authors’ research questions start with “how”, as they will look at how companies work with CSR in their purchasing process. The authors will not state a clear study proposition as they will base their questions to guide the collection of empirical data directly on the theory. The authors identified their unit of analysis as CSR in the purchasing process, which is as Yin (2009) desires a real life phenomenon. The case studies are suitable since the authors want to understand CSR in the purchasing process. Through a case study the authors get an opportunity to collect thorough data from the companies by conducting interviews, studying documents and if necessary also do some observations. Using a survey would not provide as much detailed information as a case study and this option was therefore neglected. The authors will then combine their data in the analysis and use it to answer their research questions. Reflection of the quality of the study and the reliability of it will be performed in the end.

2.5 Sample Selection

Figure 2: An Overview of Sampling Techniques (based on Saunders, Lewis & Thornhill, 2009)
Probability Selection:
This is a sample that has been selected on random basis where every individual in a population has the same probability of being selected for the sample (Bryman & Bell, 2005).

Random Selection:
This is a sample that has been selected where every individual in the population has the same probability of being selected (Bryman & Bell, 2005).

Convenience selection:
Convenience sampling is when the selection is done haphazardly just choosing those cases that are easiest to obtain for your sample. This is a widely used technique even though it is prone to bias and influences that are beyond your control as the samples only appear in the study due to the convenience (Saunders, Lewis & Thornhill, 2009).

Judgemental selection:
Judgemental sampling is not a random selection. This selection enables you to choose cases that will best help answer the research questions and meet the objectives of the study. This form of sample is often used when working with a very small sample, for example when working with a case study or cases that are particularly informative. These samples cannot be considered to be statistically representative of the total population. The logic applied when choosing the sample here should be based on the research question and the objective (Saunders, Lewis & Thornhill, 2009).

The Thesis’ sample selection:
The authors decided to make a judgmental selection as they wanted to examine one company that works extensively with the ethical aspect of CSR and one that focuses more on the environmental aspect. Therefore two companies were selected to take part of the study where the authors could get access. The authors followed the logic of finding the two companies to do a case study on based on the research questions and the objective. The companies that were chosen had to work actively with CSR in their purchasing process as that is the phenomenon the authors studied in this thesis. The companies were found through work fair days organized at the university. This
was acceptable since there were no particular population the sample had to be chosen from or be strategically representative for.

The authors also had to consider costs when making their sample selection which also made it a convenience selection. It can further be considered a convenience selection since the companies were chosen at events at Linnaeus University where the authors were students at the time and therefore made it easy to obtain them.

DHL Global Forwarding and DHL Nordic AB, part of Deutsche Post DHL which is a distribution company, decided to take part of the study as they work with CSR and focus on environment. IKEA Components, a part of the IKEA Group which is a home furnishing company, decided to take part of the study as they have a focus within CSR on ethical aspects.

2.6 Data Collection

In the collection of data there are two main strategies; primary and secondary. Primary data is of empirical nature, in other words data that the authors themselves cannot produce without using for example interviews or surveys. Secondary data is of theoretical nature where the authors can use the already available data such as books, academic articles and dissertations (Bryman & Bell, 2005).

Primary Data:
The authors made the decision that empirical data would be collected through interviews and the study of documents. To obtain a reliable empirical data the authors interviewed more than one company. The companies DHL Global Forwarding, DHL Nordic AB and IKEA Components participated in this study. With each company, interviews were conducted. The authors felt that those sufficed as the respondents that were chosen were the Sustainability/Environmental and Strategic Purchasing/Procurement Manager at each company, and therefore gave the most reliable answers regarding CSR and purchasing process. The study will be done through a static perspective as the authors will not compare the progress of CSR in the purchasing process over a period of time. The interview with DHL Global Forwarding was conducted by telephone. The interview with DHL Nordic AB was
conducted in person as the authors visited DHL Freight in Växjö. The interviews with IKEA Components were conducted by e-mail and in person as the authors visited IKEA Components in Älmhult. They also asked to have the possibility to hold more interviews to ensure that sufficient data had been collected. To get a better understanding of the companies’ work with CSR in the purchasing process, as well as ensuring that the data collection was thorough enough to be defined as a case study, several published and unpublished documents provided by each company were studied.

In order to answer the research questions; data regarding the companies’ CSR work and purchasing process was collected. The authors chose to only include data regarding DHL’s CSR work through an Environmental perspective and IKEA’s CSR work through an Ethical perspective as these are the areas these companies are known to work within.

*Interview List:*
In April and May interviews were conducted. The respondents were as follows in the table below:

<table>
<thead>
<tr>
<th>Company</th>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHL Global Forwarding</td>
<td>Maria Nilsson Ohman</td>
<td>Environmental Manager</td>
</tr>
<tr>
<td>DHL Nordic AB</td>
<td>Mattias Kallbro</td>
<td>Procurement Manager</td>
</tr>
<tr>
<td>IKEA Components</td>
<td>Anonymity requested</td>
<td>Strategic Purchasing Manager</td>
</tr>
<tr>
<td>IKEA Components</td>
<td>Anonymity requested</td>
<td>Sustainability Manager</td>
</tr>
</tbody>
</table>

*Table 2: Interview List (self-made, 2012)*
Document List:

The documents were both provided by the respondents and obtained from the companies’ websites. The documents that were studied are as follows below:

### DHL

<table>
<thead>
<tr>
<th>Name of document</th>
<th>Explanation of content</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHL Supplier Requirements</td>
<td>Contains questions which the supplier must answer to evaluate if they meet the requirements of DHL</td>
</tr>
<tr>
<td>DHL Corporate Responsibility Report 2010</td>
<td>Presents DHL work of CR of 2010</td>
</tr>
<tr>
<td>DHL Code of Conduct</td>
<td>Presents how DHL should work with issues such as environment, employers safety et cetera.</td>
</tr>
<tr>
<td>DHL Supplier Code of Conduct</td>
<td>Presents the requirements that DHL expects their suppliers to follow</td>
</tr>
<tr>
<td>DHL Purchasing Process</td>
<td>Shows the purchasing process</td>
</tr>
<tr>
<td>DHL Classification Matrix</td>
<td>Shows the classification matrix</td>
</tr>
<tr>
<td>DHL Cosmo Model</td>
<td>Shows the Cosmo model</td>
</tr>
</tbody>
</table>

### IKEA

<table>
<thead>
<tr>
<th>Name of document</th>
<th>Explanation of content</th>
</tr>
</thead>
<tbody>
<tr>
<td>The IKEA way of Purchasing Products,</td>
<td>Is IKEA’s Code of Conduct which states the expectations they have on their suppliers</td>
</tr>
<tr>
<td>Materials and Services</td>
<td></td>
</tr>
<tr>
<td>Sustainability Report 2011</td>
<td>Show IKEA’s work of CSR and sustainability</td>
</tr>
<tr>
<td>Hierarchy Within Purchasing at IKEA</td>
<td>Shows the hierarchy when purchasing</td>
</tr>
<tr>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>IKEA Component’s Purchasing Process 1</td>
<td>Shows one of their purchasing process models</td>
</tr>
</tbody>
</table>
IKEA Component’s Purchasing Process 2  Shows one of their purchasing process models
IKEA Component’s Sourcing Process  Shows the sourcing process
IKEA Component’s Classification Model  Shows the classification model
IKEA Component’s Supplier Management Model  Shows how IKEA Components manages its suppliers
IKEA Component’s Risk Classification Model  Shows how IKEA Components risk assess its suppliers

Table 3: Document List (self-made, 2012)

Secondary Data:
Theory used to answer the main question is about CSR, Purchasing and the Purchasing Process. The reason why theory about CSR was included is because the authors needed to thoroughly understand the concept, in order to know how it can be used in purchasing. This means that not all theory under this chapter was to be analyzed, as it was only included in order to gain an understanding for the concept as a whole. The theories about Purchasing and the Purchasing Process were included as they were necessary to answer the main question as well as both sub queries. The thesis’ structure regarding the purchasing process was based on van Weele (2010). This is because he is a distinguished professor with recognized theories within this field. All steps of his purchasing process were treated even though some steps might seem unconnected to CSR. This is because beforehand, the authors could not know in which steps the CSR work is present and therefore had to examine them all.

The authors have looked up scientific literature in the Linnaeus University Library and searched data bases such as Google scholar, Emerald and Business Source Premier. Some of the keywords used are corporate social responsibility, purchasing social responsibility, supplier relationship and purchasing process.

Examples of scientific literature being used are; “Purchasing & supply chain management: analysis, strategy, planning and practice”, “Corporate Responsibility” and “Case Study Research Design and Methods”.
Examples of scientific papers being used are; “Corporate Social Responsibility in Purchasing and Supply Chain“, “Safeguarding Corporate Social Responsibility (CSR) in Global Supply Chains: How Codes of Conduct are Managed in Buyer-Supplier Relationships” and “What really drives value in Corporate Social Responsibility”.

2.7 Interviews

The main types of interviews are structured, semi-structured and unstructured interviews (Bryman & Bell, 2005). While performing an interview the authors need to ask good questions, be a good listener and exercise adaptiveness and flexibility according to Yin (2009).

Structured Interview:
The researcher bases his interview on a pre arranged interview guide. The aim here is that all the interviews should be structured the same to ensure that the respondents’ answers can be easily compared. The questions are specific and the respondent is given a set of answers (Bryman & Bell, 2005).

Semi-Structured interview:
The researcher has formulated some questions but there is no specific order and free space for other spontaneous questions that comes up during the interview. The respondent has more freedom to formulate their own replies since they do not have to choose between pre assembled answers by the researcher (Bryman & Bell, 2005).

Unstructured Interview:
Here the researcher is well prepared and familiar with the subject and has a few issues to start the interview of from. Therefore the term unstructured might be a bit of a misnomer since it does have some kind of structure according to Mason (2002). During the interview the researcher is flexible and adaptable to the respondents’ answers and comes with follow-up questions to develop the answers. The researcher listens to the respondent without interrupting or get included in discussion. To a certain degree the respondents steers the direction of the interview (Bryman & Bell, 2005).
The Interview type used in the Thesis:
In this thesis the authors used semi-structured interviews. This was because they wanted to receive answers within the same area of all the respondents to make it possible to analyze the response from the two companies. They chose semi-structured since they wanted to give the companies a chance to explain how they work with CSR in their purchasing process. To increase reliability in the replies the respondents received the compiled material from the authors to check that they were understood correctly.

2.8 Data Analysis

Pattern Matching:
This is one of the most desirable logics to use in case studies. This compares an empirical based pattern with one that is predicted. If these two patterns match it increases the case internal validity (Yin, 2009).

Explanation Building:
This is a more difficult special type of pattern matching. The aim is to analyze the case by building an explanation about the case (Yin, 2009).

Time-Series Analyzing:
This is a technique which is directly analogous to the time-series analysis. This analysis may follow many complex patterns (Yin, 2009).

Logic Models:
This model provides a complex chain of events over a period of time. The events are then lined up in cause-effect-cause-effect patterns (Yin, 2009).

Cross-Case Synthesis:
This technique applies to multiple cases only, whereas the four previous mentioned techniques could be used with either single- or multiple-case studies. When performing this technique one possibility is to create a word table that displays the data from the individual cases according to some uniform framework. Then from the overall pattern in the word table a conclusion is drawn (Yin, 2009).
This Thesis’ Data Analysis:

The author’s chose to follow the pattern matching technique in order to analyze their data. This since they wanted to link the theoretical pattern with the operational pattern found in the empirical data. This was because the authors wanted to easily see and compare the companies’ different ways of working with CSR in the purchasing process. As a first step, theoretical patterns were discovered by operationalizing terms and summarize these under chapter 3.5. Further, empirical patterns were discovered in the chapter 5 as the empirical data from DHL and IKEA were compared. The other options were discarded as the authors would not look at the phenomena over a period of time, they would not use a word table nor try to build up a case explanation.

2.9 Measurements for Quality

Credibility:

- **Trustworthiness:**
  This is how credible the researcher’s results are to the social reality. That is if the society accepts the researchers results or not and this depends on how credible the data is. The reliability in the results can be created though the researcher following the rules for the research and presented the results to those who involved in the research to give them the opportunity to certify that the researcher has understood the reality correctly (Bryman & Bell, 2005).

- **Dependability:**
  To investigate how credible the dependability of a qualitative research is, the researcher can use an audit approach as the research is performed. By outlining the whole research process in detail, with the problem discussion and formulation, interview questions, selection of respondents for the research et cetera. the researcher can let colleagues examine the various process stages; this in order to assess how good the quality is and how well the stages are based on the theory. This review can be done either during the research or in a final stage. This method is not very common to use since it time consuming and requires the availability of colleagues (Bryman & Bell, 2005).
Transferability:
It is about how well the results can be used in other contexts (Bryman & Bell, 2005).

Confirmation:
This is whether the researcher has been objective in the investigation. That is if the researcher has had any personal views and values, which thus affected the study, this then lowers the credibility of the results (Bryman & Bell, 2005).

Authenticity:

Fair View:
This criterion addresses how well the researchers give a true picture of reality or not, in the form of the right perception of the participant’s views and values have been made (Bryman & Bell, 2005).

Ontological Authenticity:
How the study has made the participants gain a better understanding of their social standing and environment (Bryman & Bell, 2005).

Pedagogical Authenticity:
How this study helped the participants gain a better understanding of how other individuals in the same environment perceive things (Bryman & Bell, 2005).

Catalytic Authenticity:
In this study the participants has been able to influence and change their position (Bryman & Bell, 2005).

Tactical authenticity:
Has the study meant that the participants could take the actions they desired (Bryman & Bell, 2005).
Measurements for Quality in this Thesis:

In this thesis the authors reflected on their work according to both credibility and authenticity. This since the authors found these two concepts suitable for a data analysis that has been compiled in words. By conducting interviews the authors created reliability. To ensure reliability the authors interviewed more than one company and more than one person within that company. Authenticity was created when the authors got back with the respondents of the interview and let them check that the authors had understood them correctly.

2.10 A Summary of the Methods

The model, see figure 3, shows all the methods that was presented in previous chapters, the different alternatives in each method and finally which method that was selected.

<table>
<thead>
<tr>
<th>Methods</th>
<th>Alternatives</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific viewpoint</td>
<td>Positivism / Hermeneutics</td>
<td>Positivism</td>
</tr>
<tr>
<td>Scientific approach</td>
<td>Inductive / Deductive</td>
<td>Deductive</td>
</tr>
<tr>
<td>Research methodology</td>
<td>Qualitative / Quantitative</td>
<td>Qualitative / Quantitative</td>
</tr>
<tr>
<td>Research Strategy</td>
<td>Case studies / Surveys / Comparative method</td>
<td>Case studies</td>
</tr>
<tr>
<td>Sample Selection</td>
<td>Define the population</td>
<td>IKEA &amp; DHL</td>
</tr>
<tr>
<td>Data collection</td>
<td>Primary data / Secondary data</td>
<td>Primary data / Secondary data</td>
</tr>
<tr>
<td>Interviews</td>
<td>Structured / Unstructured / Semi-structured</td>
<td>Semi-structured</td>
</tr>
<tr>
<td>Method of analysis</td>
<td>Pattern matching / Explanation building / Time-Series analyzing / Log-rolling / Cross-Case synthesis</td>
<td>Pattern matching</td>
</tr>
<tr>
<td>Quality Measurements</td>
<td>Credibility / Authenticity</td>
<td>Credibility / Authenticity</td>
</tr>
</tbody>
</table>

Figure 3: A Summary of the Methods (self-made figure, 2012)
3. THEORY

In this chapter theories will be presented and divided under the relevant research question, see table 4. First CSR will be introduced, followed by the purchasing process and its different activities. The chapter will finish with a table that summarizes the operationalized terms and an analysis model.

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Question:</td>
<td>+ CSR</td>
</tr>
<tr>
<td>How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?</td>
<td>+ Different responsibility areas</td>
</tr>
<tr>
<td></td>
<td>+ Code of Conduct</td>
</tr>
<tr>
<td></td>
<td>+ Purchasing</td>
</tr>
<tr>
<td></td>
<td>+ The purchasing process in a company</td>
</tr>
<tr>
<td>Sub query 1:</td>
<td>+ Specifications</td>
</tr>
<tr>
<td>How do companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria?</td>
<td>+ Selection</td>
</tr>
<tr>
<td></td>
<td>+ Contracting</td>
</tr>
<tr>
<td>Sub query 2:</td>
<td>+ Ordering</td>
</tr>
<tr>
<td>How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold the CSR criteria?</td>
<td>+ Expediting</td>
</tr>
<tr>
<td></td>
<td>+ Supplier relationships</td>
</tr>
<tr>
<td></td>
<td>+ Evaluation</td>
</tr>
</tbody>
</table>

*Table 4: An Overview of the Theories (self-made, 2012)*

**Main Question:** How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?

3.1 CSR

CSR stands for Corporate Social Responsibility. This is a concept with many definitions, but one that seems to be mostly agreed upon is that it is about companies’ voluntary responsibility to the society within a social, ethical, economic and environmental aspect. The responsibility is towards the stakeholders such as owners, employees, customers, government agencies and also to the community and the world outside the company (Grankvist, 2009). The reason companies decide to embrace the concept may depend on many things, such as for example; globalization, sustainable development, customers’ demand, legal requirements, regulation, brand reputation and competitive positioning (Salam, 2008).
The person responsible for a company’s CSR work depends on the company’s size and how they chose to work with CSR. Sometimes it is the environmental or information manager who is in charge. In some companies there may even be a CSR manager or a sustainability manager (Borglund, 2009).

By investing in CSR you can get higher quality, more productive employees and higher customer satisfaction. Evidence also shows that more and more customers are willing to pay a little extra if they know that the product that they are buying has not been made by child labour, under slavery, that it has respected the environment et cetera. A CSR strategy gives an edge to the company (Hopkins, 2006).

3.1.1 Different Responsibility Areas

Different perspectives of responsibilities can be named economic, legal, ethical and philanthropic responsibility (Blowfield & Murray, 2011). These perspectives can also be described with the terms economic, environmental, ethical and social responsibility (Grankvist, 2009). Some authors such as Brunk & Bluemelhuber (2010) defines ethical and social as the same thing, but the authors will present them as separate perspectives in this thesis to give a clearer understanding. Which perspective a company seems to be working with, depends partly on what industry the company is in, what kind of products they are handling and where the company is located (Borglund, 2009). It is also important to recognize that the activities within each perspective can be of a wide variety (Blowfield & Murray, 2011). In order to create a sustainable business, companies must aim to find an optimal balance between the responsibilities (Grankvist, 2009). The authors will in the next chapters describe the Environmental and Ethical perspectives thoroughly as these are the most relevant to this thesis. These will be followed by a shorter description of the perspectives Economical and Social as it is important to describe all four perspectives in order to understand CSR as a whole.
3.1.1.1 Environment

Environmental responsibility is about how companies should manage their operations causing as little environmental impact to the society as possible and to use the earth's natural resources carefully (Grankvist, 2009). Many companies use environmental work to enhance its competitive advantage (Shum & Yam, 2011).

Since the fall of 2006, focus has been on both greenhouse gas emissions and how the human population affects the planet. During this fall, the head of the World Bank released a report which received a lot of attention worldwide. It presented that the world’s economy is affected by the climate changing. For example, negative climate impacts can cause costs corresponding to 5-20% of the global GDP, while efforts to reduce greenhouse gas emissions would cost about 1% of the global GDP. The report's aim was to ensure that companies’ work for the environment and against climate change is an investment for the global economy's survival and not an issue of cost (Grankvist, 2009).

In addition to all the questions of climate change, the consumers began, via media’s attention, to be more aware and started questioning companies' environmental and climate impact (Blowfield & Murray, 2011; Grankvist, 2009). According to Borglund (2009) a company’s environmental work can begin due to laws and regulations. There are various activities which companies can work with to contribute to a greener organisation and society, which are as follows (Blowfield & Murray, 2011; Grankvist, 2009).

❄ *Life Cycle:* is when a company plans and looks at the whole process of a product, from when it is produced until it is recycled. Examples of issues that need to be questioned are such as of what kind of material to use in the manufacturing, how the product is used during its lifecycle and should the product be scrapped or re-used. By doing an analysis for each phase, the product's environmental impact will be evaluated and thereby considered whether it is a good environmentally friendly product or not (Grankvist, 2009; Lee, 2012).
Healthy products: is about how a company is being able to offer healthy products to market that are neither bad for the environment nor the health. For examples; offer food or detergent without additives. Selling healthy product has become a trend and seen as a strategy to gain competitive advantages (Grankvist, 2009).

Recycling and reuse: is how a company handles garbage and waste and recycles it. Companies can save and also make money by recycling as well as offer the customers new products by reusing (www.csrguiden.se; Hou & Reber, 2011).

Sustainable use of resources: says how a company can save money by using their resources wisely, whether it is raw materials, water, electricity or people (www.csrguiden.se; Hwang, Wen & Cheng, 2010).

Green transport: is when a company transport a product from location A to location B, in the most efficient and environmental friendly manner. Companies can save both time and money by doing planning well from the beginning (www.csrguiden.se).

Green purchasing: Green purchasing is important in easing the environmental impacts consumption has, as well as in being a promoter for clean production technology within the green supply chain. Each company should choose a green strategy best suited for them in order to obtain competitive advantages. The PDSA cycle for Green purchasing, which stands for planning, doing, studying and acting, consists of the following: In the planning stage a company creates a green purchasing team and clarifies the purchasing strategies. In the doing stage this team collects data and evaluates different tasks and activities that could impact the environment in a significant way. The study stage includes developing a performance evaluation system for the green purchasing in order to measure the company’s performance. The last stage is the acting stage in which a new measurement system is developed for measuring the environmental performance, for continuously implementing
environmental strategies and to maintaining and control the environmental performance (Hwang, Wen & Cheng, 2010).

- *Environmental awareness:* is how a company informs their employees and customers why environmental work is important, what kind of environmental work the company is doing and how that environmental work should be interpreted to be perceived in the right way (Grankvist, 2009; Hou & Reber, 2011).

### 3.1.1.2 Ethics

*Ethical responsibility concerns companies’ ethics to the society. How should we treat our stakeholders in order to avoid or minimize negative consequences? It is people’s feelings that are the base for their morality, and they thereby create a company’s value principle* (Grankvist, 2009).

The moral of people functions as a guide for both individuals and companies, when different decisions need to be made. Within this perspective, trust is the most important resource. By showing the public that the company works by its values, trust from customers, employees and other stakeholders is created (Blowfield & Murray, 2011). Companies can work with their ethical responsibility through various activities (Grankvist, 2009), they are as follows:

- **Values:** Companies should define their values, which state how they should behave and act both internally and externally in the organization. This is followed by how to work by them in practice. To be able to follow the values they must be relevant and understood by all the employees and business partners (Grankvist, 2009; Maignan, Hillebrand & McAlister, 2002).

- **Human rights:** This means that companies work according to specific guidelines that basically say all humans are born with equal rights and dignity. The term is found in issues that concerns freedom of expression, labour rights and religious freedom (Grankvist, 2009; Hou & Reber, 2011).
Product liability: This is about how companies secure the quality of their products. This is to avoid errors and scandals to emerge. The company needs to follow up all different the steps when produce a product, not only the first phase in the manufacturing (Grankvist, 2009).

3.1.1.3 Economical Perspective

Economical Responsibility is about how companies try to manage their operations with as high profitability as possible. The company must earn money so that they financially survive but also to be able to provide return of investment to their shareholders. Companies should also take responsibility for and help developing the society so it becomes successful in order for the company to become more prosperous (Grankvist, 2009). Porter and Kramer (2006) discuss that if companies begin to analyse their opportunities for social responsibility, they may realize that responsibility is much more than just a cost and limitation. It could lead to greater innovation, opportunities and competitive advantages for companies. According to Carter (2004) there is an important relationship between a company’s financial status and their level of environmental purchasing.

3.1.1.4 Social Perspective

Social responsibility is about how companies should manage their operations so that they are considered being good citizens. They will act in such a way that they take into account all the stakeholders' well-being and health. Companies can work with their social responsibility with various activities such as satisfying employees, allowing diversity, solving social problems and giving donations (Blowfield & Murray, 2011; Grankvist, 2009; Hou & Reber, 2011).

3.1.2 Code of Conduct

A Code of Conduct is a voluntarily guideline for how a company should operate their business within a social, ethic and/or environmental aspect. Usually it is the company themselves that develop the guidelines but it can also be done by a trade organization. A Code of Conduct should be based on international agreements such as UN Global Compact and standardization documents such as ISO, which ensures companies that
their products are being produced during good working conditions (www.csrguiden.se; Blowfield & Murray, 2011). According to van Weele (2010) there is a Code of Conduct which companies should follow when purchasing in order to be responsible. This Code of Conduct includes headlines such as; *Loyalty to the company, Proper dealing with suppliers, Supporting fair competition* and *Upholding the profession’s reputation*. Codes of Conduct can also be created specifically for suppliers or other business partners of the company to make sure that they work in the same way as the company (www.csrguiden.se; Blowfield & Murray, 2011).

### 3.2 Purchasing

The purchasing function in a company is responsible for making sure that the right material is available at the right place at the right time. The work can be divided into strategic and operational purchasing. In the strategic, activities such as; searching, finding and creating relationships with suppliers are included. The operational, also defined as the material procurement process, involves the company continuously going through the need of material and purchasing this from the suppliers (Jonsson & Mattsson, 2011). There are three types of purchase; routine purchase, modified rebuys and new buys. The type of purchase depends on the amount of time and complexity for the purchasing process (Coyle, Bardi & Langley, 1996).

CSR has now extended to the function of purchasing and supply management function (Carter, 2004), and the number of companies taking CSR in consideration when making purchasing decisions are increasing (Hietbrink, Berens & van Rekom, 2010). It lies in a company’s best interest to make the best purchasing negotiations by using methods that are in line with ethical terms. This includes for example not accepting bribes (van Weele, 2010). Some activities related to CSR in purchasing are for example environmental purchasing, sourcing from minority business enterprises and human right issues at a supplier plant (Salam, 2008).
3.2.1 The Purchasing Process in a Company

According to van Weele (2010) the purchasing process consists of six steps which will be treated further in chapters 3.3-3.4. van Weele (2010) further argues that the six steps should be supported by a purchasing manager. Maignan, Hillebrand & McAlister (2002) concur and also suggests that more than one person is held accountable for the purchasing process’ progress.

Further, van Weele (2010) and Enarsson (2006) define the purchasing process as a cross-functional responsibility. This means that purchasing is not only tied to the purchasing department but also other departments within the organisation. By being cross-functional, communication and disciplines needs to be good. Clearly defined responsibilities for each department, in each step, needs to be clarified to avoid misunderstandings or conflicts. The challenge for companies is how to combine all the different skills and knowledge’s within the company to create an optimal solution for all parties involved.

Another model of the purchasing process, see figure 5, is provided by Shao et al. (2008). Here the process consists of three steps: strategic purchasing planning, purchasing execution and finally purchasing implementation and monitoring.
Figure 5: The Purchasing Process (Shao et al., p67, 2008)

**Sub query 1**: How do companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria?

3.3 Sourcing

*In this chapter the three first steps of van Weele’s (2010) purchasing process will be treated; Specification, Selection and Contracting.*

3.3.1 Specification

A company’s purchasing objectives will be related to reduce costs, reduce suppliers, reduce lead times and improve the product’s quality. It is after these directives that the company manages its purchasing activities and supplier relationships (van Weele, 2010; Axelsson & Laage-Hellman, 1991; Shao et al., 2004). When choosing suppliers some important questions need to be answered such as: which product categories have too many suppliers? How many suppliers does each product category really need? Do we want to create a partnership or a competitive bidding relationship? Do we need a global or local supplier for the product (Enarsson, 2006; Ballou, 2004)?

3.3.2 Selection

The next step in the purchasing process is to select and assess suppliers. This is being done in four steps which are as follows (van Weele, 2010):
1) **Decide the method of subcontracting:**
The first step is to choose either a *full responsibility subcontract*, which means that
the supplier has sole responsibility or a *partial responsibility subcontract* where the
supplier shares responsibility with other suppliers. The buyer is the one who
delegates the work and has the final responsibility. Which type to choose depends on
the buyer’s preference of contract (van Weele, 2010) as well as quality and reliability
(Coyle, Bardi & Langley, 1996).

2) **Preliminary supplier qualifications and creating a bidders list:**
First of all, the suppliers need to fulfil some qualification requirements. The suppliers
that pass will be put up on a bidding’s long list, which is a list assembled with all the
suppliers indicating that they can do the intended job. These supplies will have a
Request for Information (RFI) sent to them with questions regarding previous work
experience, provided references et cetera. There may even be personal visits to the
suppliers to get a picture of what kind of capabilities the supplies have (van Weele,
2010; Shao et al., 2004).

3) **Send a Request for Quotation, analyze received bids and 4) select a supplier:**
As a third step, the suppliers that seem to be the most promising will be selected and
the bidder’s long list will then be reduced to a bidder’s short list. These supplies will
have a Request for Quotation (RFQ) sent to them, in which they are asked to submit a
bid. The buyer later compares different bids in order to select a supplier. (van Weele,
2010; Shao et al., 2004).

Another way to assess suppliers is, according to Enarsson (2006), by classifying them
in Kraljics matrix. As seen in figure 6; suppliers are classified according to profit
impact and supply risk. Its purpose is to maximize the usage of the buyer’s power and
minimize the supply risk. There are no specific rules on how to classify the
purchasing importance of a supplier, but the classification cannot be completely
subjective as it has to be supported by facts and figures.
3.3.3 Contracting

The third step in the purchasing process is the contracting. This implies to create a contract when a supplier has been selected. What kind of information the contract may contain depends on the industry and the type of product or project that is being purchased. Legal and commercial conditions and terms will also be applied to the contract. If needed, the contract can refer to other additional conditions and terms (van Weele, 2010).

Companies can use either standardized contracts or custom designed contracts. The reason for companies who choose to create custom designed contracts can be, for example, the characteristic of the product, company culture, market situation or purchasing policy. This result in that different legal and/or commercial conditions and terms will be used and makes the contracts vary. There are several important aspects in a contract that needs to be considered (van Weele, 2010), such as price, terms of payment, penalty clauses and warranty conditions (van Weele, 2010; Ballou, 2004).

Consequences when breach in contract:
The suppliers have several requirements and specifications to fulfil, all stated and agreed in the contract. If these are not met, the contract’s penalty clause needs to clarify the procedure for handling the situation. Important questions to define are who that has the responsibility for what and who that will be liable in damages. Another important aspect that needs to be stated in the contract’s penalty clause is which country’s legal system to apply to, if the buyer and the supplier come from different countries (van Weele, 2010).
Other arrangements:
The more that is stated in a contract between a buyer and supplier, regarding different terms and conditions, the better it is because this will avoid confusion and misunderstandings. Sometimes certain issues regarding delivery, transportations and risks, cannot be defined in the contract. Instead, these kinds of issues can be referred to other arrangements, most commonly to Incoterms which are international standards regarding these matters (van Weele, 2010).

<table>
<thead>
<tr>
<th>Sub query 2: How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold the CSR criteria?</th>
</tr>
</thead>
</table>

3.4 Supply

In this chapter the three last steps of van Weele’s (2010) purchasing process will be treated. These are Ordering, Expediting and Evaluation.

3.4.1 Ordering

When the contract and the conditions have been decided the order can be placed, though in some cases the contract itself is the order. The order can be initiated by a material requisition from a production planning system, which is matched from the material volume needed for production for a given period and available inventories. These can be placed by material planning software or initiated by manually filling out a purchasing form and sending it to the purchasing department (van Weele, 2010).

The order should include an order number, description of product, unit price, number of units required, expected delivery date, delivery address and invoicing address. The supplier is usually asked to send a confirmation of the order received (van Weele, 2010).

3.4.2 Expediting

If the preparation of the order is done correctly there should not have been too many mistakes. However in reality things often work out differently and several efforts should be considered by the buyer to make sure the supplier fulfil the agreement (van Weele, 2005). The objective with expediting is to receive a shipment quicker than
normal (Coyle, Bardi & Langley, 1996; Ballou, 2004). There are three types of expediting that the buyer can exercise to try to avoid delays or other unpleasant surprises;

- **Exception expediting** is when the buyer is informed by the internal customer that the order has not arrived. The supplier then needs to take immediate action. This is not an optimal way to work since the supplier will always find out after it is delayed and cannot fix it ahead of time (van Weele).

- **The prevention approach.** Here the buyer will contact the supplier a few days before the delivery is due to get a confirmation of the delivery to prevent delays. This is therefore a better method than *exception expediting* (van Weele).

- The last one is **Advanced status check.** This one is the most time intensive method. It is used to critical suppliers or purchase-parts. It could be critical due to a tight quality tolerance, due to a troublesome supplier or a part critical to be on time in the own production. Here the buyer will check the supplier’s progress regularly, using the time based schedule that was received when the contract was closed. In extreme cases the buyer can put an inspector at the production line of the supplier this is then referred to as field expediting (van Weele).

### 3.4.3 Supplier Relationships

Companies today depend more and more on their suppliers. Due to this, supply chain integration becomes harder and can only be achieved by creating long term supplier relationships. In order to create this relationship, a high degree of trust is needed between the parties. In order to create trust in a relationship companies need to have trustworthiness, which is achieved by ethical principles, as well as a skilled staff (van Weele, 2010). Shao et al. (2008) argues; that a company’s performance will improve and benefits for the whole supply chain will be achieved by a good relationship. Enarsson (2006) suggests that also commitment is required for trust to be formed.
Further, Enarsson (2006) has a couple of criteria that should be met in order to reach a good relationship:

- **Individual willingness, motivation and strategy fit**: This means that both companies have some sort of motivation to forming the partnership and they have a value to contribute with. The partners should have competitive advantages that enhance the interdependence level. Also, the partners should have long term goals together (Enarsson, 2006).

- **Interdependence**: Neither of the partners should be able to accomplish separately what they can do together. They should want to invest in each other (Enarsson, 2006; Shao et al, 2008).

- **Cultural fit**: For this the partners are required to carry out its commitments and show that they are trustworthy. The partners share information, skills and knowledge in order to strengthen the relationship (Enarsson, 2006).

- **Organizational arrangements and institutionalization**: This means that a formal status has been given to the strategic business relationship. Each partner has clearly defined their responsibilities and a resolution mechanism has also been created in case a problem would emerge (Enarsson, 2006).

- **Integration and integrity**: The best solution for both partners is if they share ways of operating to make the work smoother between them. They could for example create an efficient communication system that links many different levels. The partners should not misuse the gathered information; they demonstrate a mutual integrity and behave in a respectful way towards each other to enhance the mutual trust and commitment (Enarsson, 2006).

- **Communication**: This is required for trust to be achieved in the relationship. How successful the partnership becomes depends on how well information is shared and the quality of it. To develop trust in a strategic business relationship most likely takes time and is done within a long-term process (Enarsson, 2006).
3.4.4 Evaluation

A global supply chain is complex, and it seems that it will continue to become more complex in the future. Most of the times it is very hard for a manufacturing company to be able to uphold single control of the whole chain (Enarsson, 2006).

According to van Weele (2010), Shao et al. (2008) and Maignan, Hillebrand & McAllister (2002), evaluation and monitoring is important in order to try and maintain control of the supply chain. A supplier, and the experience of purchasing with this supplier, needs to be well documented. A buyer should know the supplier’s competitiveness, its quality and delivery record as well as its innovativeness. Further, it is important according to van Weele (2010) that the buyer has detailed and updated information about the supplier’s current capability. When evaluating a supplier the following should be considered: professionalism, on-time delivery, price or cost targets, quality, responsiveness to customer needs and the relationship with the company (Mummalaleni, Dubas & Chao, 1996). According to Enarsson (2006) also CSR related problems need to be evaluated and monitored. These types of problems can be controlled by creating and compiling Codes of Conducts.

According to Pederson and Andersen (2006); to ensure that the whole supply chain is socially responsible, companies use Codes of Conduct from raw material suppliers up to the final end users. But to manage these Codes of Conduct and to ensure that they are fulfilled is challenging. One necessity is active commitment for the codes to be successfully implemented. It will be hard to make all actors of the chain comply with the codes and it is even harder when the company has a global supply chain. This is because of the actors being separated economically, geographically, politically, culturally and legally.

Companies have understood that CSR issues goes through the whole supply chain and that stakeholders look at the whole chain and not just the company itself. This means that a company is held responsible for the conditions in the factory where their products are being produced et cetera. The Codes of Conduct therefore go beyond the boundaries of the individual organization and include the suppliers (Pedersen & Andersen, 2006).
By evaluating, companies will learn to work with suppliers who have sufficient capabilities and this normally results in the supplier base being reduced (van Weele, 2010).

3.5 Summary of Operationalized Terms Found in the Theory Chapter

<table>
<thead>
<tr>
<th>Theory</th>
<th>Most important content</th>
</tr>
</thead>
<tbody>
<tr>
<td>✗ CSR</td>
<td>✗ CSR stands for companies’ voluntary responsibility to the stakeholders.</td>
</tr>
<tr>
<td>✗ Responsibility areas</td>
<td>✗ Environmental, Ethical, Economical and Social</td>
</tr>
<tr>
<td>✗ Code of Conduct</td>
<td>✗ A guideline in order for companies and its suppliers to know how they should conduct their business.</td>
</tr>
<tr>
<td>✗ Purchasing</td>
<td>✗ The main purpose is to make sure that the right material is available at the right place at the right time. Can be made in a strategic or operational level.</td>
</tr>
<tr>
<td>✗ The purchasing process in a company</td>
<td>✗ Can consist of three or six steps. A cross-functional work. At least one person to be held accountable.</td>
</tr>
<tr>
<td>✗ Specifications</td>
<td>✗ Answer important questions such as: which products have too many suppliers? Global or local supplier?</td>
</tr>
<tr>
<td>✗ Selection</td>
<td>✗ Decide the method of subcontracting, decide preliminary qualifications of the suppliers and draw up the bidders list, Prepare an RFQ, analyze the received bids and select a supplier.</td>
</tr>
<tr>
<td>✗ Contracting</td>
<td>✗ Important aspects to be considered are: price, terms of payment, penalty clauses and warranty conditions.</td>
</tr>
<tr>
<td>✗ Ordering</td>
<td>✗ The order should include: an order number, description of product, unit price, number of units required, expected delivery date, delivery address and invoicing address.</td>
</tr>
<tr>
<td>✗ Expediting</td>
<td>✗ The objective with expediting is to receive a shipment quicker than normal. This can be done in 3 different ways.</td>
</tr>
<tr>
<td>✗ Supplier relationships</td>
<td>✗ Trustworthiness is necessary for a successful relationship. The following criteria should also be considered: Individual willingness, cultural fit, communication, interdependence, integration and institutionalization.</td>
</tr>
<tr>
<td>✗ Evaluation</td>
<td>✗ This is necessary to maintain control of the supply chain. CSR related problems with a supplier can be controlled through a Code of Conduct. Communication is important. Supplier base can become reduced.</td>
</tr>
</tbody>
</table>

*Table 5: Summary of Operationalized Terms (self-made, 2012)*
3.6 Analysis Model

Figure 7: Analysis Model (self-made, 2012)
4. EMPIRICAL DATA

*Interviews with and received documents from IKEA and DHL will be presented in this chapter. Each case will be presented separately and the chapter ends with a further developed analysis model.*

4.1 DHL

4.1.1 Company Information

DHL was founded more than 40 years ago in San Francisco. Today they are a part of the world’s leading logistics group Deutsche Post DHL. They have a global network that is located in more than 220 countries and territories and about 275 000 employees worldwide (www.dhl.com). The vision of Deutsche Post DHL is to remain the Postal Service Provider for Germany and to become the Logistics Company of the world (DHL Corporate Responsibility Report 2010).

DHL offers expertise in international express, ocean and air freight, road and railroad transportation, contract logistics and international mail services to its customers. They work to cover the whole supply chain for their customers. To meet the different service needs of their customers DHL has four specialized divisions: Express, Global Forwarding Freight, Supply Chain and Global Mail (www.dhl.com).

DHL was the first company within logistics that set a target for climate protection that is quantifiable (DHL Corporate Responsibility Report, 2011).

**Main Question:** How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?

4.1.2 Working With CSR

4.1.2.1 The Work in General

DHL has chosen to use the term CR instead of CSR. This is because they are afraid that the word “social” could be limiting their environmental focus. The authors will however continue to use the term CSR to not confuse the reader. According to Maria

---

Nilsson Öhman⁶, Environmental Manager at DHL Global Forwarding, DHL does not have a document in which they define what they mean with different words within CSR. But in their different Codes of Conduct and programs they define demands and terms.

In Sweden the CSR work started in the environmental department as customers started to raise environmental demands. Therefore it was neither laws nor regulations that drove DHL to begin implementing CSR but rather customer demands. The CSR work is conducted on a global level. The active work started somewhere in the beginning of the 21st century. DHL was not the first to work with CSR but many other industries had already adopted the concept long before DHL did⁷.

An advantage can clearly be shown from DHL’s CSR work. They can connect certain revenues with their environmental work. It has also given them bigger market share as some customers would not choose them unless they worked with environment in the way that they do⁸.

The environmental and ethical perspectives are dealt with in different working groups within the different divisions. The economic perspective is integrated into the other two perspectives. DHL tries to work in a way that makes the personnel feel involved and makes them feel like they actually make a difference⁹. The four divisions work with CSR in order to reduce their impact on the environment, to help out at catastrophes with disaster management and work for education. This work is done by the programs: GoGreen, GoHelp and GoTeach (www.dhl.com).

In March 2009, DHL introduced its corporate strategy “Strategy 2015” in which they integrated their Corporate Responsibility. As a part of the CSR strategy, DHL has set up certain targets that they aim to reach. Their work is reported every year in order to see their advancements towards the targets (DHL Corporate Responsibility Report, 2011).

---

⁶Maria Nilsson Öhman, Environmental Manager DHL, Telephone interview. [2012-04-27]
⁷Ibid
⁸Ibid
⁹Ibid
The company’s most important stakeholders are customers, employees and investors. DHL tries to have a good relationship with each of them and keep them updated on the performance and initiatives being made within the CSR work (DHL Corporate Responsibility Report, 2011).

4.1.2.2 Policies and Principles:

The United Nations Global Compact consists of ten principles which DHL have chosen to base their guidelines and policies on. Figure 6 below shows DHL’s principles and guidelines. (DHL Corporate Responsibility Report, 2011)

<table>
<thead>
<tr>
<th>Principles</th>
<th>Group policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Universal Declaration of Human Rights</td>
<td>• Code of Conduct</td>
</tr>
<tr>
<td>• UN Global Compact</td>
<td>• Supplier Code of Conduct</td>
</tr>
<tr>
<td>• Core Labor Standards of the International Labour Organization</td>
<td>• Anti-Corruption Policy and Business Ethics Policy, Competiton Compliance Policy</td>
</tr>
<tr>
<td></td>
<td>• Investment Policy</td>
</tr>
<tr>
<td></td>
<td>• Environmental Policy, Paper Policy</td>
</tr>
<tr>
<td></td>
<td>• Privacy Policy for International Data Transfers</td>
</tr>
<tr>
<td></td>
<td>• Corporate Health Policy</td>
</tr>
<tr>
<td></td>
<td>• Road Safety Code</td>
</tr>
<tr>
<td></td>
<td>• Declaration of Conformity with the German Corporate Governance Code</td>
</tr>
</tbody>
</table>

Table 6: Principles and Group Policies (DHL Corporate Responsibility Report, p13, 2011)

The most important Group policy is the Code of Conduct which was implemented in 2006 containing the organization’s rules and guidelines (DHL Corporate Responsibility Report, 2010). The code is integrated into DHL’s corporate culture and is aligned with the guiding principle in their strategy 2015. Through this code, DHL commits itself to conduct business based on responsibility, integrity, legality and ethical acceptability (DHL Corporate Responsibility Report, 2011). This work is all ensured by the UN Global Compact and PACI (Partnering Against Corruption Initiative).

The code includes standards for the daily work, for customer’s relations as well as social and environmental responsibility (DHL Corporate Responsibility Report, 2011). Examples of issues being treated in the code are transparency, human rights
and environmental protection (DHL Corporate Responsibility Report, 2010). The code was translated into 18 different languages in 2010 and can be downloaded from the company’s intranet (DHL Corporate Responsibility Report, 2010). The code and issues treated is based on the principles given by the Universal Declaration of Human Rights, the United Nations Global Compact and the International Labour Organization. This code applies to every employee within DHL and all its different subsidiaries, and helps them to know how to act in a difficult situation (DHL Corporate Responsibility Report, 2011). DHL has also a few questions to think of in a difficult situation, which are (DHL Supplier’s Code of Conduct, 2009);

✦ Is this action or decision legal?
✦ Is this action or decision according to DHL’s values and principles?
✦ If this action or decision came up to public review, how would it be and look like in the news?
✦ Is this action or decision correct and without any personal conflict of interest?
✦ Would this action or decision preserve DHL’s reputation as a company with high ethical standards?

In order to strengthen the Code of Conduct, two policies were added in 2009:

✦ The Anti-Corruption and Business Ethics Policy: This policy details the principles of the Code for DHL’s managers. This is done by defining the value of acceptable gifts and specifying how to deal with such gifts or invitations to events (DHL Corporate Responsibility Report, 2010).
✦ The Competition Compliance Policy: This policy commits managers and non-management staff in marketing, sales and procurement to stand by the local competition laws and internal policies and procedures (DHL Corporate Responsibility Report, 2010).
These two policies, along with the others in the code, are mandatorily acknowledged online. This was made in order to protect the company from unethical, unfair or illegal actions. DHL also conduct audits on a regular basis to see how far the policies have been implemented in different divisions and if the policies are being followed. If an employee needs to report a violation of the Code of Conduct or other policies this can easily be made through external hotlines or e-mail services. The reports are categorized in regard to situation, topic and extent (DHL Corporate Responsibility Report, 2010).

DHL has also developed a specific Code of Conduct for its supplies (DHL Supplier Code of Conduct, 2009) which will be presented under chapter 4.1.10.4.

4.1.2.3 DHL’s Environmental Work

For their environmental work, DHL has an environmental policy and a programme called “GoGreen”. The main focus of GoGreen is climate protection. DHL is committed to improve their CO2 efficiency in its own operations as well as that of its subcontractors with 30% by 2020 in comparison with their 2007 baseline. This will be done by using more efficient transportation, by optimizing planning and using innovative technologies, ideas and alternative energy sources (DHL Corporate Responsibility Report, 2011).

Within GoGreen, DHL has defined five important areas in order to be able to fully integrate environmental protection throughout the whole organization and reduce the negative impacts made. The areas are as follows (DHL Corporate Responsibility Report, 2011):

- Provide transparency: By measuring, recording and reporting their environmental impact, focusing on carbon emissions made by both DHL and its subcontracted carriers (DHL Corporate Responsibility Report, 2011).

- Improve efficiency: This is made by alternative technologies in buildings and fleets, by using alternative fuels and by optimizing different measures (DHL Corporate Responsibility Report, 2011).
Mobilize employees: By trying to engage employees in the environmental protection program and helping them contribute to society (DHL Corporate Responsibility Report, 2011).

Offer green solutions: By offering green solution to their customers as well as helping the customers reach their own environmental goals (DHL Corporate Responsibility Report, 2011). Examples of solutions are; carbon reduced services, carbon-neutral products, electro return and other eco-friendly services (DHL Corporate Responsibility Report, 2010).

Demonstrate leadership: DHL sees sustainability as something critical for future success of the logistics industry. Therefore they want to show leadership and drive the environmental work forward (DHL Corporate Responsibility Report, 2010).

How DHL works with their environmental responsibility depends a lot on which part of the company that is being examined. DHL Sweden focuses their work on their customers and suppliers as they make the biggest environmental impact\textsuperscript{10}.

4.1.2.4 Achieved Improvements Through a Carbon Aspect:

During the year of 2011, DHL implemented several effective measures for reducing the fuel, kerosene and electricity consumption per container, palette and parcel. This in order to be able to minimize their CO2 emissions, which is one of DHL’s environment targets within the GoGreen program. The implementations of the improvements measures were made within the areas of the Group’s buildings, aircrafts and road vehicles. These are divided into two categories: Burn Less and Burn Clean. For more information see figure 10 (DHL Corporate Responsibility Report, 2011).

\textsuperscript{10}Maria Nilsson Öhman, Environmental Manager DHL, Telephone interview. [2012-04-27]
Figure 8: Efficiency Improvement Measures (DHL Corporate Responsibility Report p52, 2011)

**Procurement of vehicles:**

When DHL acquire new or substitute vehicles, these have to achieve higher carbon efficiency. This is stated in DHL’s Investment Policy. DHL also applies measures to their network optimization such as; capacity optimization, intermodal transport concepts and intelligent route planning which also tributes to reducing the usage of fuel, thus the carbon emissions (DHL Corporate Responsibility Report, 2011).

**Alternative drive systems and fuels:**

More than 4000 of DHL’s vehicles are powered with alternative drive systems and fuels. The vehicles are also featured with either aerodynamic systems or modified engines. By testing these technologies within the Group, DHL will focus on three areas: “electric vehicles”, “optimization of vehicles with conventional drive systems” and “alternative fuels”. DHL has also started to use hybrid vehicles (DHL Corporate Responsibility Report, 2011).

DHL has tried both non-fossil and fossil alternative fuels as a way of reducing greenhouse gas emissions. Producing these fuels must be done in a sustainable way; otherwise it can affect the agricultural practices. To make sure that sustainably produced bio fuels are used in the Group, DHL has since 2010 complied with the policy “the Usage of Liquid Bio fuels”. DHL is currently using fuels that fall under
the categories “methane fuels and liquefied petroleum gas” and “liquid bio fuels” (DHL Corporate Responsibility Report, 2011).

Modernization of Deutsche Post DHL’s air fleet:
The usage of aircrafts results in high carbon emissions. By investing in newer and more efficient aircrafts that burns less fuel and produces less noise and air pollutants, DHL can reduce their emissions (DHL Corporate Responsibility Report, 2011).

More environmental friendly sites:
DHL evaluates their approximately 12 000 sites worldwide, in regard to the usage of natural resources and efficient technologies\(^\text{11}\). DHL wants each site to have efficient energy by using intelligent lightening, heating and cooling technologies. DHL also tries to use more sustainable resources by for example using solar energy, increasing the daylight utilization, recycling rainwater and use “green electricity” which is electricity bought from verified renewable energy sources (DHL Corporate Responsibility Report, 2011).

4.1.2.5 Achieved Improvements Through a Non-Carbon Aspect:
DHL also considers other activities and impacts made on the environment that are not related to their carbon footprint. This is for example local air pollution, noise pollution, the usage of water and paper as well as their waste production. These aspects are handled and treated on both a local and national level (DHL Corporate Responsibility Report, 2011).

Air pollution:
DHL’s buildings, aircrafts and vehicles produce dangerous air pollutants such as Nitrous oxides (NOx), Particulate matter (PM10) and Sulphur dioxide (SO2). DHL works on a global level with trying to reduce these (DHL Corporate Responsibility Report, 2011).

---

\(^{11}\) Maria Nilsson Öhman, Environmental Manager DHL, Telephone interview. [2012-04-27]
*Noise pollution:*
To reduce noise pollution DHL places their building away from residential areas and invest in alternative fuelled vehicles; hybrid, electric and natural gas (DHL Corporate Responsibility Report, 2011).

*Water usage:*
At the offices, water is mainly used for drinking and sanitation. Employees are encouraged to try and reduce their water usage and use it mainly for drinking and sanitation (DHL Corporate Responsibility Report, 2011).

*Sustainable forestry:*
DHL has created a global paper policy which only allows recycled paper to be procured and used. Exceptions must be approved by the Corporate Procurement (DHL Corporate Responsibility Report, 2011). An example of this exception is DHL Sweden. They have chosen to not use recycled paper as that would mean that they have to import it from another country. Since Sweden has a good amount of raw wood material, it is therefore more environmental friendly to use new papers which have been certified by Svanen\(^\text{12}\), one of the world’s biggest environmental labelling companies\(^\text{13}\).

*Waste reduction:*
Waste reduction is handled on a local level. The waste is mainly generated from the packaging used in customer shipments. There is also a paper waste in the offices, which will be reduced due to electronic working routines. There is almost none, if any, waste from DHL’s vehicles and aircrafts as these have been outsourced to third party maintenance service providers or manufacturers (DHL Corporate Responsibility Report, 2011).

\(^\text{12}\) Maria Nilsson Öhman, Environmental Manager DHL, Telephone interview. [2012-04-27]
\(^\text{13}\) www.svanen.se [2012-05-03]
4.1.3 The Purchasing Process

![Diagram of the DHL Purchasing Process]

**Figure 9: Overview of DHL’s Purchasing Process With the 5 Step Sourcing Process Included, Starting After "Not in Portfolio or Optimization" (Internal material provided by DHL)**

DHL is a global company which is one of their strengths. Their key suppliers are called core carriers and with them they can make negotiations that are advantageous for DHL. This is how all the major purchases in the company are being made. In DHL Sweden the core carrier contracts are followed most of the times. But sometimes, a national supplier is necessary in order to cover transports that the global agreements do not cover. This is for example SAS in Sweden. There can also be agreements made on a local level where an office signs a contract with a road carrier for transport to and from an airport or port. Purchasing happens on many different levels within DHL\(^\text{14}\).

Mattias Kallbro\(^\text{15}\), Procurement Manager at DHL Nordic AB, gives some different purchasing examples; a global purchase can be computers, which then every office would use, a regional purchase can be when all countries in Europe buy paper and pens from the company Staples and a local purchase can be when Scandinavia buys desks from Kinnarps.

The whole purchasing process is imprinted by the CSR concept. With every contract, the Suppliers Code of Conduct should be attached and signed in order for the supplier to prove that they will work to comply with its conditions. A big focus in purchasing is on the environmental aspects, though conditions such as no child labour exist as well. DHL tries to always replace non-environmental friendly alternatives with more

---

\(^{14}\) Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]

\(^{15}\) Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
environmentally friendly alternatives. They have for example an agreement with Preem; all DHL’s diesel driven vehicles will be fuelled with Preem’s so called “Evolution fuel”\textsuperscript{16}.

**Sub query 1:** *How do companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria?*

### 4.1.4 Specification

First, DHL has to decide what their demand is; is it new or already existing? After having answered this, DHL will know if they need to make a new buy or a straight rebuy. The latter is easiest, because then they already have the necessary information and can just place orders as usual. If it is a new buy it gets more complicated. Then the need has to be approved by executives and discussed thoroughly with the involved parties; for example if they are opening a new terminal the manager of the terminal should be involved. This is a very important step as it will affect all the following steps and the output\textsuperscript{17}.

Once the need has been identified and approved DHL needs to ask itself more questions such as: *Where can we find the items? Should we use a local, national or international supplier? How many suppliers will be needed*\textsuperscript{18}? *Who can deliver this, to this destination with these prerequisites*\textsuperscript{19}? In order to find the right one, good background information on the suppliers is necessary\textsuperscript{20}.

### 4.1.5 Selection

In this step, DHL will now have a better view of how many suppliers they can choose from\textsuperscript{21}. Sometimes the amount of suppliers to choose from is small and DHL might have to use a supplier they do not want to, as they were the only ones who could

---

\textsuperscript{16} Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
\textsuperscript{17} Ibid
\textsuperscript{18} Ibid
\textsuperscript{19} Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]
\textsuperscript{20} Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
\textsuperscript{21} Ibid
deliver at the right time according to the prerequisites\textsuperscript{22}. Normally, a Request For Information (RFI) is sent out and it is here that DHL has the chance to learn more about the suppliers\textsuperscript{23}.

Questions that are asked are: Are you ISO certified? Will you comply to the Suppliers Code of Conduct? (DHL Supplier Requirements, 2012) Can you give us information about your environmental work? Can we make environmental audits? Do you work with continuous improvement? What are your environmental policies? Do you evaluate your suppliers? Do you have routines for following the law? What is your biggest environmental problem? It is not a criterion that the supplier has to be certified by ISO or any other environmental certification, but it will be used as a condition for elimination if there are a lot of suppliers to choose from. It is in most cases also preferred because if the supplier is ISO certified it most likely means that the supplier has thought one step further\textsuperscript{24}. In some cases though, a certification will be required if customers has demanded it\textsuperscript{25}.

After going through these answers, DHL will make its first elimination and then send out a Request For Quotation (RFQ) to the remaining suppliers. In this, information regarding the suppliers’ capacity, time frame and price is requested\textsuperscript{26}.

According to Öhman\textsuperscript{27}, even though the environment is an important factor, it is unfortunately not as important as the price. In order to get more environmental performance in to the weighing, a certain transparency is required which does not exist today. In regards of selecting a local or global supplier, it all depends on their

\textsuperscript{22}Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]
\textsuperscript{23}Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
\textsuperscript{24}Ibid
\textsuperscript{25}Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]
\textsuperscript{26}Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
\textsuperscript{27}Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]
capacity and accessibility. DHL’s concern is who can deliver and they do not care so much if it is a big or small company as long as they can do what they promise\textsuperscript{28}.

National and local DHL offices can also have their own demands on their suppliers. It will not work to have demands that are the same on a global level as countries are different and work under different conditions. Öhman\textsuperscript{29} thinks that this is good because then she can decide what is optimal for Sweden. DHL has a list of demands on their suppliers\textsuperscript{30}, for example some demands can be (DHL Supplier Requirements, 2012):

- Acceptance of the DHL Supplier Code of Conduct
- Environmental certifications
- Education of drivers in environmental driving
- Usage of bio fuels

After the RFQ has been sent out, DHL invites the suppliers to meetings for discussion and negotiation. After this, another round of elimination is conducted. The selection of the supplier is sometimes then finished by an e-auction where the supplier can see his and the other suppliers bids and then finalize his bid or by a final negotiation conducted in person. For example simple purchases such as pens is usually done over e-auctions whereas the purchase of specific services will be negotiated in person as there are more complex details to sort out\textsuperscript{31}.

4.1.6 Contracting

This is when the contract is written and signed by both parties. At this point everything should be clear but in case of any last ambiguity it should be sorted out; if the ambiguity is too comprehensive the whole process might have to start over. The work of the procurement team ends here and the errand is handed over to the person

\textsuperscript{28}Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]
\textsuperscript{29}Ibid
\textsuperscript{30}Ibid
\textsuperscript{31}Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
or department for whom it is purchased. The work of the procurement team begins again as evaluations will be made.\(^\text{32}\)

The policy “contract repository” means that all contracts must be saved on a global server for DHL employees worldwide to find. “Contract Archive” means that everything has to be archived and secured. DHL is now in the process to make sure that their Supplier’s Code of Conduct is attached and signed with every existing contract.\(^\text{33}\)

Sub query 2: How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold the CSR criteria?

4.1.7 Ordering

DHL uses an order system called GeT and it is connected to a SAP platform. Orders can also be placed manually via e-mail, telephone or the supplier’s own website.\(^\text{34}\)

4.1.8 Expediting

In order to control the delivery’s service level, contracts has this regulated. The contract can also include penalties for delayed deliveries, where the supplier must pay a fee. Otherwise DHL has manual check-ups after they have received a planned delivery date. If a delivery is late, DHL most often have good relationship with their suppliers so that after an evaluation is made the supplier gets a chance to improve its process in order to reduce delays in the future.\(^\text{35}\)

4.1.9 Supplier Relationships

DHL’s efficiency goal includes reducing the emissions of their subcontractors. It is therefore vital that a transparency exists of the carbon efficiency of their transport partners. Then DHL can take certain environmental selection criteria when choosing their subcontractors. In order to achieve the necessary transparency, DHL not only

\(^{32}\text{Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]}
^{33}\text{Ibid}
^{34}\text{Ibid}
^{35}\text{Ibid}
work with many industry initiatives but they also develop their internal systems (DHL Corporate Responsibility Report, 2011).

It is important for DHL to manage their subcontracted road transportation providers, as they account for a large amount of the global carbon emissions. This is hard to accomplish, as an universally applicable industry standard is almost impossible to create. An attempt was to found the Green Freight Europe initiative, which was made by a number of companies such as for example; IKEA, Procter & Gamble and Heineken. This initiative aims to raise transparency by setting up a standardized system for reporting and collecting CO2 emissions from road freight transport. The long term goal is to make the whole supply chain involved in green procurement of transport services (DHL Corporate Responsibility Report, 2011).

The part of DHL named “Global forwarding” handles both air and ocean freight. This part has the largest share of the global DHL emissions. In this segment a “Green carrier scorecard” has therefore been implemented. This allows for a greater transparency in their partner’s fleets as well as the possibility for DHL to offer its customers more environmental friendly routing with less emission. The scorecard integrates network performance data and environmental performance as a foundation for procurement decisions (DHL Corporate Responsibility Report, 2011).

It is important for DHL that their business is conducted with trust, respect and integrity and that this is reflected in their supplier relationships (DHL Code of Conduct, 2008).

4.1.10 Evaluation

4.1.10.1 Classification:

Depending on the supplier’s classification, evaluations will be made within different time spans. The number of evaluations depends on where in the classification matrix the supplier was put after having been selected, as seen in figure 1036.

36Mattias Kallbro, Procurement Manager DHL, Interview 2012-05-14
Evaluation of Strategic products is done every year as it is critical for DHL’s organization. These core suppliers are evaluated according to the so called Cosmo Model, which is a complex evaluation tool. This is for example used for Volvo who is the global supplier of trucks and Mercedes who is the global supplier of vans. DHL Sweden has a thorough evaluation of their road carriers and their vehicles. Foremost they examine the security and environmental aspect as they control in which speeds the vehicles are driven. DHL Sweden is proud to show that their road carriers have lowered their driving speed and thus increased safety in traffic and decreased the environmental impact. The evaluation today is almost exclusively being made on the suppliers that make the biggest environmental impact and other perspectives such as child labour are not in focus. How this evaluation process is undertaken can be seen in figure 11.

Figure 10: DHL Classification Matrix (Internal material provided by DHL, 2012)

---

37 Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
38 Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]
39 Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]
4.1.1 Audits:

Evaluation is also done by audits. These can be performed upon request or following a schedule depending on what type of supplier they are classified as. The audits can be performed both externally and internally and the auditors follow a checklist. An internal audit is conducted by DHL employees or an external part, such as for example auditors from ISO. External audits are also conducted by DHL employees together with the environmental manager, procurement, and the operative manager.\(^{40}\)

4.1.1.3 Surveys:

A global evaluation of core carriers, national and local suppliers is conducted through a survey.\(^{41}\) The questions asked are quite general though and Öhman\(^{42}\) wishes it could be more detailed to obtain better information. But as it is on a global level she says that it is hard to go into details as every country has different conditions.\(^{43}\)

\(^{40}\)Mattias Kallbro, Procurement Manager DHL Nordic AB, Interview [2012-05-14]

\(^{41}\)Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]

\(^{42}\)Ibid

\(^{43}\)Ibid
DHL has an employee survey meant to follow up on everything within the organization. This includes questions about environment, responsibility and if the personnel feel like they are making a difference and if they feel like they actively work with environmental related issues. There is also a global customer survey but today this one unfortunately does not include questions about the environment.44

4.1.10.4 Code of Conduct:
DHL has a goal of becoming the Employer, Provider and Investment of choice. But in order to achieve this, they depend on the performance of their subcontractors and suppliers. Because of this DHL created a “Supplier Code of Conduct” in 2007 which encourages the suppliers to fulfil environmental and ethical standards. The suppliers should communicate, motivate and make sure all their subcontractors and other business partners, who are involved in the work, are complying with the Code of Conduct (DHL Corporate Responsibility Report, 2010). Headlines in the Code of Conduct are: Laws and ethical standards, Health & Safety, Business Continuity Planning, Improper Payments and Bribery and Business Partner Dialog, Environment and Compliance with the Supplier Code of Conduct. The authors have decided to only explain the last two thoroughly as it is mostly relevant to the environmental perspective and purchasing process (DHL Supplier Code of Conduct, 2009).

Environment:
Their suppliers must obey with all the environmental laws, regulations and standards that is applicable to its business. Further, they shall also implement effective systems in order to be able to identify and remove potential hazards to the environment.

DHL has created a climate protection goal in which they expect its business partners to support DHL’s delivery of products and services. It also includes that the suppliers set their own climate protection goals to achieve (DHL Supplier Code of Conduct, 2009).

Compliance with the Supplier Code of Conduct:

44Maria Nilsson Öhman, Environmental Manager DHL Global Forwarding, Telephone interview [2012-04-27]
DHL has all the right to control if the requirements of the Supplier Code of Conduct are being complied with. DHL also motivates its suppliers to create and implement their own guidelines, and in turn, they should motivate its suppliers to comply with the principles and standards. Any violation of the obligations in this Supplier Code of Conduct will be considered as a violation of contract by the supplier (DHL Supplier Code of Conduct, 2009).

4.2 IKEA

4.2.1 Company Information

IKEA has 131 000 employees in 41 different countries. All of IKEA’s 325 stores are franchises and are located in 26 countries worldwide. The IKEA Group consists of all IKEA operations from industrial groups to distribution centres, warehouses and the companies who own the stores in each country. The IKEA Group works within four areas: Range Strategy, Product Development, Production and Supply and Retail.

IKEA’s vision is “to create a better every day for the many people”. They do this by offering a wide range of products with good function and design at a low price. The low price is a cornerstone of their business idea; because this makes the designed functional home furnishing available to the many people (www.ikea.com). According to the Strategic Purchasing Manager at IKEA Components; IKEA Component’s most important stakeholders are: IKEA customers, suppliers, IKEA of Sweden, the board of directions. The Sustainability Manager at IKEA Components also adds NGO’s and Media.

**Main Question:** How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?

---

47Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
48Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
4.2.2 Working With CSR

4.2.2.1 The Work in General

IKEA wants “low price, but not at any price”. They want the Best Buy which consists of four different steps as follows. Sustainability includes an environmental, a social and a business perspective. Quality should not be too good but not too bad either, it should be the quality that IKEA asks for. Availability means that the supplier must have capacity to produce what is requested. The price of the product should be affordable to the many people\textsuperscript{49}.

Sustainability is core in everything IKEA does because of their vision. This includes Ethics, Environmental and Philanthropic, which is what makes up CSR. The first environmental policy was developed in 1990 and in 2000 came the Code of Conduct; \textit{The IKEA Way of Purchasing}, IWAY (IKEA Sustainability Report 2011). The responsibility for the CSR work is within the business; a sustainability manager and its sustainability team makes sure that IWAY and other policies are fulfilled\textsuperscript{50}.

Guiding principles that IKEA works by are (IWAY, 2008):

- “What is the best interest of the child?”
- What is the best interest of the worker?
- What is the best interest of the environment?”

According to IKEA Component’s Sustainability Manager\textsuperscript{51}, IKEA does not have specific documents that present how they interpret terms within CSR. These terms are instead regulated in Codes of Conduct and policies.

IKEA doesn’t have any direct measurement of how their CSR work influences their profitability. However they use something called Balance Score Card which shows their performance. The measurements are being done on the performance of quality,

\textsuperscript{49}Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
\textsuperscript{50}Ibid
\textsuperscript{51}Ibid
price and logistics assignments\textsuperscript{52}. Through discussion with their suppliers, IKEA Components has also gained an understanding in how beneficial the CSR work has been\textsuperscript{53}.

4.2.2.2 Policies and Principles

IKEA’s IWAY is based on the following conventions; the Fundamental Principles of Rights at Work, ILO declaration June 1998, the Rio Declaration on Sustainable Development 1992, the UN Johannesburg Summit on Sustainable Development and the Ten Principals of the UN Global Compact 2000. They further also recognize the principles of Human Rights as defined by the UN 1948 and also adhere to UN decisions regarding boycott and embargoes (IWAY, 2008).

IKEA cooperates with other companies, NGOs, trade unions, governments and industry organizations to develop and strengthen the impact of their work within the sustainability field. IKEA has partnerships with UNICEF and Save the Children to advocate for children’s rights. They also work for global conservation of forest, cotton and climate change projects; this is done together with WWF (IKEA Sustainability Report, 2011).

IKEA’s sustainability performance has previously only been measured by IWAY compliance. In fiscal year 2011 a sustainability index was developed to measure their performance with a Sustainability Score Card which measures the product’s energy efficiency used in production, use of renewable energy in production and raw material utilization. This is then translated to an overall index-figure for each supplier (IWAY, 2008).

4.2.2.3 IKEA’s Ethical Work

Anti-corruption:
IKEA does not accept corruption in any form, neither indirect nor direct. They work proactively to avoid it and they make all their suppliers sign that they accept this policy. The internal Code of Conduct and the anti-corruption policy describes what

\textsuperscript{52} Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
\textsuperscript{53} Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
actions should be taken if fraud or corruption is suspected. IKEA provides internal ethic programs with workshops and training to help prevent and minimize the risk unethical business behaviours. IKEA makes regular risk assessments in countries around the world (IKEA Sustainability Report, 2011).

An ethics helpline has been operated in some regions for suppliers since 2009, called a “trust line”. This kind of solution will be provided for all suppliers in fiscal year 2012, this is for them to seek advice and report unethical behaviour. This will be provided both in English and the local language. Sensitive information is handled confidentially and the provider’s identity is protected in event of further investigation (IKEA Sustainability Report, 2011).

*The IKEA foundation:*

The foundation “works in four dimensions to turn the cycle of poverty into a circle of prosperity” (IKEA Sustainability Report p47, 2011). This is done by helping create a place called home, which provides shelter and safety. The foundation tries to provide a quality education, since this is a huge step in giving the child an opportunity to not fall into child labour or other exploitation. It also tries to help children get a healthy start in life by avoiding diseases and getting access to clean water. Further, a goal is to help the parents get a sustainable family income which then creates the opportunity for the children to go to school instead of having to work (IKEA Sustainability Report, 2011).

*Product liability:*

It is a challenge for IKEA Components to for example use recycled material because it can contain substances that does not meet the IKEA Component’s standard regarding chemicals. A child should be able to put anything made from IKEA Components in its mouth and chew on it without risking to get poisoned. Further, a chemical record is mandatory and chemical audits are conducted where samples are tested to see if the chemical declaration is correct or not. Transparency is very important; in case somebody gets ill and a doctor wants to know what the person has
in their system, IKEA Components has 24 hours to obtain all information regarding the chemicals and send it to the doctor\textsuperscript{54}.

4.2.3 Purchasing

IKEA Components tries to procure the raw components as much as possible in order for transparency, safety and traceability. For example they buy the chemicals that are necessary for making latex mattresses. After having created the mattresses themselves, IKEA Components then sells it to its IKEA supplier. The supplier in turn finishes the mattress by putting it in the fabric-cover and then sells it to IKEA trading\textsuperscript{55}.

The purchasing at the IKEA Group is divided into five divisions known as Indirect Material & Services (office materials and computers systems), Freight (transport), IKEA food (Food for IKEA stores around the world), IKEA Trading (furniture to be sold in the stores) and IKEA Components (raw materials, spare-parts and screws)\textsuperscript{56}.

IKEA Components works with its suppliers who in turn work with their own sub suppliers. If necessary, IKEA Components can choose to work directly with the sub-suppliers. IKEA Components works in categories, a combination of material and production type, which is broken down to a function which then is broken down to a product group. IKEA Components has suppliers for every little component because it is not possible to find one supplier that offers all. Instead IKEA Components is using a supplier that’s offer a drawer, one who makes the screws, one who makes the plastic slides on the side, one who make the wood carving et cetera. These are then bought in and assembled by the IKEA supplier\textsuperscript{57}.

\textsuperscript{54}Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
\textsuperscript{55}Ibid
\textsuperscript{56}Ibid
\textsuperscript{57}Ibid
**Purchasing Team:**

IKEA of Sweden has a Business Developer (BD), this person never communicate directly to the suppliers. The BD has a strategic purchasing team that performs the strategic purchases which includes: a Need planner, who performs forecasts, stock control and communicates with the supply planner, a Design engineer, who draws the product, writes the production documents and sets the demands which are then handed to the technician. This team asks itself *where in the world and what is the best way?* The strategic team then communicates with the operative purchasing team who handles the daily work, continuous dialogue and evaluation of the suppliers. The operative purchasing team consist of their own business developer who is responsible for the purchasing, the supply planner who is in charge of the logistics, flows, transport, stock levels et cetera and the supplier technician who is responsible for the quality systems. This team asks itself *what supplier to use*? This hierarchal relationship is presented in the figure below.

---

![Hierarchy Diagram](image-url)

*Figure 12: Hierarchy Within Purchasing in IKEA Components (Internal material provided by IKEA, 2012)*

---

58 Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
4.2.4 The Purchasing Process

Below follows the two models of IKEA Component’s purchasing processes.

![Diagram of the Purchasing Process]

**Figure 13: IKEA Component’s Purchasing Process 1 (Internal material provided by IKEA, 2012)**

In this model, along with the nine steps, five supportive activities are presented. These include competence development which is HR activities such as training and education for the purchasing teams and suppliers. For example in Asia it is important to educate the supplier so they understand why they have to follow IWAY and cannot use child labour or dump chemicals in the river. Supplier management and performance management conducts evaluations and measures how the sustainability work is coming along. Risk management classifies the supplier to what level of risk zone they are in. The raw material management conducts checkups on the raw material that is used in the product.\(^{59}\)

In IKEA Component’s second model presented below, there are no supportive activities but more steps are included. Compared to the other model, this one begins with the same steps of understanding the need and then finding the supplier. After this step the model has more focus on getting the supplier into the routine of what IKEA expects. This includes securing that the supplier can work with IWAY and comply with IKEA’s requests on time, price, quality et cetera. This model also

---

\(^{59}\)Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
includes creating a strategy for how they should work now as well as a development plan. There are also steps of how to follow up this plan and make improvements.  

---

**Sub query 1:** How do companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria?

Below IKEA Component’s sourcing process is presented. The steps will be treated further in chapters 4.2.5 until 4.2.7

---

60Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
4.2.5 Specification

The first step in the Sourcing process is mostly about preparation. The purchasing team will fill in documents, make a supplier profile, decide what type of supplier desired, define the demand and search for suppliers by mapping\textsuperscript{61}.

4.2.6 Selection

Before signing contract with IKEA, the supplier must have gone through an assessment with an IWAY auditor and the supplier must be assured to be able to fully comply with IWAY in due time. It must as well be assured that all start-up requirements of IWAY are followed\textsuperscript{62}. The supplier should be able to show legal documentation of date of birth of all workers. The United Nations Convention of Rights of the Child (1989) should be followed by all IKEA suppliers and all other rules and regulations that applies (IWAY, 2008).

The next start-up requirement for an IKEA supplier is that no forced, bonded, prison or involuntary labour is allowed. It is also necessary that the supplier prevent their workers from being exposed to severe safety hazards\textsuperscript{63}. The suppliers need to have a transparent system of recording the working hours and wages. IKEA requires that the suppliers provide their workers with a worker’s accident insurance (IWAY, 2008).

In the second stage of the sourcing process, the purchasing team evaluates together with the supplier. Questions like environmental issues, how to work with IWAY requirements are asked. Things they check in the evaluation when selecting a supplier are alignment of goals, the supplier’s purchase, their manufacturing, how they work with product development, how their management is structured, the supplier’s logistics, their finances, low price and product quality. As seen in figure 16 suppliers are classified as Critical, Unique, Prio, Others or Potentials which can be seen in the diagram; these are placed on the axis of “IKEA Dependency” and “Supplier Uniqueness”. In the diagram can be seen that the Prior suppliers are the most important ones, most suppliers start as Potential, IKEA does not want to work with

\textsuperscript{61}Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
\textsuperscript{62}Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
\textsuperscript{63}Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
the Critical ones and the ones classed as Others are about to be phased out. This classification of suppliers is based on questions such as: What is their vision? Does their vision agree with IKEA’s vision? Will cooperation be possible? How do the suppliers work with purchasing? And what type of management the suppliers is using, this is the question the Strategic Purchasing Manager\(^{64}\) finds most important since this indicates if they are focusing on development, logistics product quality, environment, ethic or sustainability. If IKEA approves the supplier, he will continue to the next step\(^ {65} \).

![Figure 16: IKEA Component’s Classification Model (Internal material provided by IKEA, 2012)](image)

In the third step of the sourcing process, the purchasing team will have selected a potential supplier. Then it is time to present this supplier to the three purchasing managers, also known as the suppliers’ council. The supplier has to be approved by them in order to advance to the next stage\(^ {66} \). The documents that have to be presented are the same regardless of the country the supplier work in\(^ {67} \), and are as follows\(^ {68} \):

- The supplier evaluation
- IWAY compliance
- ISQS quality assessment
- Supplier positioning

---

\(^{64}\)Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]

\(^{65}\)Ibid

\(^{66}\)Ibid

\(^{67}\)Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]

\(^{68}\)Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
4.2.7 Contracting

In the fourth step of the sourcing process, the cooperation with the supplier begins. In this start up step all required documents will be collected and made sure that they are signed. These documents are IWAY, General Conditions, The Anti-Corruption policy. After this is done, the supplier will be registered in the system. In the fifth step the purchasing team will create, together with the supplier, an action plan. Some parts of IWAY must already be fulfilled prior to the relationship starting, such as no child labour, but other parts have a deadline of one year to be fulfilled. These parts are treated in the action plan. The sixth and final step in the sourcing process contains a requirement of approval of the supplier and his action plan. When this is done he will now be an IKEA supplier.

Sub query 2: How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold their CSR criteria?

4.2.8 Ordering

Orders are usually being placed automatically which is based on the forecasts made by the business system.

4.2.9 Expediting

When a supplier receives an order, it needs to be approved by IKEA Component’s operative purchasing team. If a delay occurs, the operative purchasing team has to investigate why the delay occurred, see if the order can be replaced and check the supplier’s capacity. The operative purchasing team can make a daily observation to ensure that the order will be delivered fast. But they will not have a person on site.
4.2.10 Supplier Relationships

IKEA describes how they maintain a relationship with their suppliers in their Code of Conduct IWAY. Therefore, the authors would like to forward the reader to chapter 4.2.11.4 for further information.

4.2.11 Evaluation

Evaluation of all IKEA Component’s suppliers is conducted almost every year. As seen in figure 17; the evaluation process, also called the Supplier Management Process, follows six different steps which are as follows\textsuperscript{72}:

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{figure17.png}
\caption{IKEA Component’s Supplier Management Process (Internal material provided by IKEA, 2012)}
\end{figure}

1. The purchasing team looks at its suppliers. What is important for the future? Has something gone wrong\textsuperscript{73}?

2. What do we think about this supplier? The purchasing team decides who gets a full, medium, low or no evaluation. This is being performed once a year\textsuperscript{74}.

3. Based on the evaluation made when the supplier was selected. What has happened since last time\textsuperscript{75}?

\textsuperscript{72}Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]

\textsuperscript{73}Ibid

\textsuperscript{74}Ibid

\textsuperscript{75}Ibid
4. Make a new classification of supplier based on evaluation made in the sourcing process\textsuperscript{76}.

5. Make a development plan of the selected suppliers. Either a competitive development (development can only be achieved through the market price), a cooperative development with IKEA Component’s help or the supplier takes full responsibility\textsuperscript{77}.

6. Follow-up on the development plan throughout the year. Including assessment of goals, actions and wished position\textsuperscript{78}.

4.2.11.1 Supplier Classification:
IKEA Component’s is classifying their suppliers by quality, delivery and IWAY and they have a risk classification which is presented in figure18 below. The colour indicates in which risk level the supplier is; the green category shows that the supplier is doing well and is therefore a preferred supplier. The yellow category shows that the supplier has received a notification and has 90 days to solve their problem. If the supplier has not solved the problem by this time, he can apply for another 30-90 days and then falls into the orange category. If the supplier falls into the black category, the cooperation will be terminated and he might be blacklisted. To be able to do business, the suppliers need to be in either the green or yellow category\textsuperscript{79}.

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{SupplierClassification.png}
\caption{IKEA Component’s Risk Classification (Internal material provided by IKEA, 2012)}
\end{figure}

\textsuperscript{76}Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
\textsuperscript{77}Ibid
\textsuperscript{78}Ibid
\textsuperscript{79}Ibid
4.2.11.2 Audits:
The audits are usually done every year and can be either announced or unannounced and performed either internally or externally\(^{80}\). Each purchasing office has IWAY audit employees and all auditors go through an auditing education\(^{81}\). During the audits questions are asked and observations are made on the whole area the site is located on: can children be found working? Is it a safe environment? Are sanitary facilities available? Depending on the risk zone a supplier is in, he might get more audits\(^{82}\); for example IKEA Component’s Sustainability Manager\(^{83}\) states that audits are performed more often in Asia than in Europe as these suppliers are perceived as a higher risk.

Purchasers and technicians can make pre-audits when they visit the supplier. Every purchasing employee has a little IWAY card with standard questions printed on it; this is carried at all times and can be helpful when visiting suppliers. This can be done without certain auditing education\(^{84}\).

The audits will help with the risk classification. If for example child labour is found the supplier must put that child in school and make sure he or she gets an education. The idea is not to phase out the supplier as fast as possible; IKEA preferably keeps the supplier and makes sure that the child goes to school. This is followed up thoroughly during a long time period by co-workers specifically educated in this matter. If IKEA was to simply phase out the supplier, most probably the child labour problem would continue at the factory\(^{85}\).

\(^{80}\)Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
\(^{81}\)Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
\(^{82}\)Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
\(^{83}\)Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
\(^{84}\)Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
\(^{85}\)Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
4.2.11.3 Survey:
As employees are a stakeholder for IKEA, it is important to evaluate how they feel regarding the CSR work. It is also a good way for IKEA to evaluate its own business. This is done through an annual survey called “VOICE” (IKEA Sustainability Report, 2011).

4.2.11.4 Code of Conduct
IKEA expects its suppliers to comply with International Guidelines, IKEA requirements and national legislation86. “Should the IKEA requirement be in violation with national laws or regulation, the law shall always be complied with and prevail” (IWAY p1, 2008).

The Code of Conduct for the suppliers contributes to positive development. IWAY is dependent upon respect, trust and co-operation between IKEA and the supplier and they seek to have good, long-term relationships with them. All information from the supplier is to be treated confidentially by IKEA (IWAY, 2008). The suppliers are expected to share IKEA’s values and take social and environmental responsibility87. IKEA is a production oriented company and often on sight at the factories and this presence helps the development of suppliers. In Fiscal Year 2012 IKEA’s goal is to reach full IWAY compliance among the home furnishing suppliers. Those who are unwilling or unable to commit to the requirements will be phased out. There has before been some exceptions for some Asian countries, these will be eliminated (IKEA Sustainability Report, 2011). In chapter 4.2.11.4 the authors have decided to only explain the IWAY headlines that are relevant for the Ethical perspectives. This means that Environment, Chemicals and Hazardous and Non-Hazardous Waste are excluded.

General Conditions:
An IWAY representative should be chosen by every supplier, this person should have necessary competence to ensure compliance with the requirements found in IWAY. The IKEA supplier is expected to communicate the requirements to its sub-suppliers

86Sustainability Manager IKEA Components, E-mail Interview [2012-05-17]
87Ibid
as well as to all its workers. The supplier should conduct an internal IWAY audit at least once every twelve month; this should be documented along with the corrective actions, and handed to IKEA if requested (IWAY, 2008).

**Fire prevention:**
IKEA’s suppliers should have a sufficient number of workers trained in how to use the fire fighting equipment in each area during all shifts. Two independent emergency exits are required for each working area and these needs to be kept free at all times. An evacuation alarm with continuous sound is required (IWAY, 2008).

**Workers Health & Safety:**
All accidents and incidents should be documented. Safety training is required before operating a machine or a hazardous operation. All machines should be equipped with necessary safety devices to prevent injuries (IWAY, 2008).

- If there is a health risk the supplier must provide safety instructions and warning signs. The supplier is expected to free of charge provide and make sure that workers use appropriate Person Protective Equipment (PPE) and clothing in risky areas (IWAY, 2008).

- First-aid equipment should be available and the supplier should also have person trained in first-aid working at each shift, these persons should be certified trainers, nurses or doctors (IWAY, 2008).

- The supplier is required to follow the law relating to the quality of the internal air. The same goes for temperature, workplace noise and lighting levels (IWAY, 2008).

- The supplier should provide clean and free of charge drinking water for all the workers. The supplier must provide sanitary toilets and washing facilities for both men and women (IWAY, 2008).

- If the supplier has a canteen or food service then it shall meet local sanitation and hygiene regulations (IWAY, 2008).
The supplier should have a Health & Safety Committee working to reduce the accidents and get the workers involved in improving their working environment (IWAY, 2008).

**Housing facilities:**
The supplier should ensure there is a reasonable living space, privacy, quietness, cleanliness, safety, access to drinking water and personal hygiene. The requirements for fire safety are the same as already mentioned under “Fire prevention” (IWAY, 2008).

**Wages, benefits and working hours:**
When hiring a worker the supplier must apply to law and create a contract including wages, overtime payment and term of employment. A record of attendance and payroll must be maintained and available at an IWAY audit. An employee should not work more than 60 hours per week including overtime, which must be voluntary. The worker must have “one day off in seven”, where one day is defined as 24 hours and not a calendar day. The worker should have appropriate breaks and time off for meals. The supplier must provide the worker with all the benefits they are entitled to according to legal mandates (IWAY, 2008). This often poses a problem in Asia and especially China; employees want to work as much as they possibly can for a couple of years before returning home and settling down with a family. They get upset when they find that this is not possible because of the IWAY regulations and might seek employment elsewhere.

**Prevention of child labour:**
Child labour is not accepted by IKEA. The supplier can not use child labour and must try to prevent it at their sub suppliers’ place of production as well. The Code of Conduct defines child labour as work performed by children, which interferes with a child’s right to healthy growth and development and denies him or her their right to quality education. According to International Labour Organization (ILO) Minimum Age Convention no. 138 (1973), a child is defined as “any person less than fifteen

---

88 Strategic Purchasing Manager IKEA Components, Interview [2012-05-14]
years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age would be appropriate” (IWAY pp15-16, 2008) The suppliers should abide to the United Nations Convention on the Right of the Child (1989) along with all national and international law and regulations applicable in the country of production and operation. The supplier must have documents that legally prove the date of birth of all the workers (IWAY, 2008).

Forced and bonded labour:
IKEA does not allow the use of forced, prison, bonded or involuntary labour. Bonded labour includes not only physically bonded labour but also bonded by financial debts or deposits. The worker should be free to leave the premises of the factory after their shift has ended. If a worker is temporarily employed they can not be forced to stay after the contract has expired. The IKEA supplier may not lend the worker more than three month’s salary (IWAY, 2008).

Discrimination:
The supplier is not allowed to discriminate the worker on the basis of race, religion, gender, beliefs, marital status, age, political affiliation, disability, sexual orientation, national origin or any other basis (IWAY, 2008).

Freedom of association:
The supplier should not prevent the workers from freely associating nor collective bargaining activities (IWAY, 2008).

Harassment, abuse and disciplinary actions:
The supplier should not support nor use corporal punishment, threats of violence or other forms of mental or physical coercion. The supplier should not use public warnings or punishments. Further they should not support, perform or allow any form of harassment or abuse in the workplace (IWAY, 2008).
4.3 Analysis Model

**Main question:** How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?

**Sub Query 1:** How do companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria?

**Sub Query 2:** How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold the CSR criteria?

**Theory:**
- CSR
- Responsibility areas
- Purchasing
- The Purchasing Process

**Empirical data:**
- Company information
- Working with CSR
- The Purchasing Process
  - Purchasing process

**Analysis**
DHL, IKEA and Theory will be put against each other continuously.

**Theory:**
- Specification
- Selecting
- Contracting

**Empirical data:**
- Specification
- Selecting
- Contracting

**Analysis**
DHL, IKEA and Theory will be put against each other continuously.

**Theory:**
- Ordering
- Expediting
- Evaluating
- Supplier relationships

**Empirical data:**
- Ordering
- Expediting
- Supplier relationships
- Evaluating

**Analysis**
DHL, IKEA and Theory will be put against each other continuously.

*Figure 19: Analysis Model (self-made, 2012)*
5. ANALYSIS

In this chapter the theoretical and the empirical data will be discussed and analysed together. Each headline will finish with a model which shows the key points of the discussion.

Main Question: How do companies with different types of products, who have implemented CSR, work with CSR in their purchasing process?

5.1 CSR

DHL started working with CSR as they saw it as their responsibility to their customers who were starting to demand that they work to reduce their environmental impact. It is then probably also a responsibility towards their other most important stakeholders, the investors and employees, as they expect DHL to meet their customers’ demands. This is also the case at IKEA as they are taking responsibility of CSR towards their most important stakeholders. This aligns with Grankvist’s (2009) statement that the work of CSR should be towards the stakeholders. It is clear here that the CSR work has begun due to the stakeholders; which makes it logical that the CSR work would also continue to be towards them. The reason the customers started setting demands was probably due to the raised awareness which Brun & Blumelhuber (2010) and Hietbrink, Berens & van Rekom (2010) discusses. As DHL itself state that there were not much laws or regulations within their field, this was therefore not the reason their work began. This goes against Borglund (2009) who claims that companies working through an environmental perspective begin their work due to laws. IKEA has not stated their reason for starting to work with CSR, but it is logical to assume that also this was because of the stakeholders. This because laws and regulations, like United Nations’ Convention on the Rights of the Child (1989), had been around before IKEA began started their CSR work and introduced IWAY in 2000. It is therefore logical to assume that it was not laws or regulations that drove IKEA to begin their work. As it is the stakeholders who review the company and are crucial for the company’s reputation it their demands should be considered for DHL’s and IKEA’s continued success.
DHL has not made a document which clarifies how they define different terms within CSR. Instead they state that this is done through their different Codes of Conduct, policies and programs such as GoGreen, GoHelp and GoTeach. IKEA works in the same way as they neither have a definition document but trusts that the definitions will be clear through IWAY and policies. The question is if it would not be best to have a document after all to ensure that everybody in the company, the supply chain and the stakeholders interprets the concept equally. This is in accord with Grankvist’s (2009) statement that CSR can be defined and interpreted in many ways.

As DHL and IKEA are large companies they have CSR responsible employees in each major division. DHL uses its environmental manager whereas IKEA appointed one person to specifically be responsible for the CSR work called a sustainability manager. Both DHL’s and IKEA’s way to appoint who is responsible for CSR accord with the theory provided by Borglund (2009). When comparing the two companies with each other, it seems that CSR has affected IKEA in terms of positions. The title “sustainability manager” has been created specifically due to their CSR work and shows that this is an issue that is vital for IKEA. That does not mean that it is not important for DHL as well, and for now, this position is probably enough as their focus is mainly on environment. But as the business progresses and they start focusing more on other perspectives, it would probably be wise to have one person or a team working specifically with these types of questions.

DHL has found that their CSR work has generated higher revenue as they have customers who would not use their services if they were not working actively to reduce their environmental impact. IKEA has not performed a measurement to specific find what their organization is gaining from the CSR work. Though in a more indirect way they measures if their products are being more energy efficient and the reduction of raw material utilization through their Sustainability Score Cards and sustainability index. This is an indirect measure as this then affect price, logistics and quality. This agrees with Hopkins (2006) as he states that investing in CSR can help a company gain higher customer satisfaction, higher quality and productive employees. The reason why neither of the two companies has invested time or money on specific
tools for measuring CSR and its effect on revenue is probably because this can be seen indirectly through other tools already being used. IKEA’s scorecard is more extensive than DHL’s measurement as it gives detailed information about each supplier in regards to many matters. Instead of looking at the contribution each supplier’s CSR work has on DHL’s revenue, they instead make subjective conclusions about how CSR as a whole has contributed. A scorecard of IKEA’s kind is probably to prefer as it gives more specific information which can be valuable later on when evaluating a supplier’s performance. It can also be an important tool when showing shareholders or executives why CSR is profitable; by grounding it in facts and figures.

Figure 20: Comparison of DHL’s and IKEA’s Work With CSR (self-made, 2012)

5.2 Responsibility Area
How come DHL and IKEA have focus on two different perspectives? What drove them to go in that direction? DHL has stated that their focus is on environment due to the customer demands previously mentioned. That the demands were of an environmental kind is not a surprise as DHL works within the transport and logistics business which is known to have a big share in the greenhouse gas emissions. IKEA is a global company within an industry that calls for producing and manufacturing products. Around the 1990’s-2000 a lot of scandals occurred in regard to ethical matters such as findings of child labour, sweat shops, too low wages et cetera. As IKEA is such a big company and has many manufacturers and producers in its supply
chain, it is logical to assume that IKEA became of interest for the society to review. That probably drove IKEA to focus on their ethical issues, as these were the issues given more attention when their CSR work began. The choices of IKEA and DHL depended on the industry they operate in which is in agreement with Borglund (2009).

![Figure 21: Comparison of DHL’s and IKEA’s Responsibility Areas (self-made, 2012)](image)

5.3 Purchasing

The purchasing function’s responsibility is defined at DHL as finding a supplier that can deliver to the destinations on time with the prerequisites that DHL has set up. By doing this, they agree with Jonsson & Mattsson (2011). IKEA does not have a definition. This might be because they have two models defining the purchasing process so they find it clear enough from there what is expected.

IKEA has divided their purchasing into a strategic and an operative unit. The strategic purchasing team asks “where in the world should this be purchased and that is the best way?” and they do not communicate with the suppliers. This team consists of a strategic purchaser, a planner that makes forecasts and control stocks as well as a design engineer that draws and writes the production documents and set the demands. These are later handed over to the supplier technician in the operative unit. This unit consists of the business developer who is responsible for the purchasing, the supply planner who is in charge of the logistics and the previously mentioned supplier technician in charge of the quality systems. Together they handle the daily work, continuous dialogue with and evaluation of the suppliers and ask themselves “what
supplier to use?” This is in agreement with theory provided by Jonsson & Mattsson (2011) about operative and strategic purchasing. DHL did not present their purchasing as divided into operative and strategic units. However they did present that they have six employees in Sweden working with procurement regarding more significant purchases as well as local purchasers that handles for example the purchase of a coffee machine. By dividing it like this, DHL probably works indirectly with strategic and operative purchasing. By conducting purchasing on many levels and having more than one person responsible for it, DHL’s and IKEA’s work aligns with the suggestions given by Maignan, Hillebrand & Mc Alister (2002). The reason for conducting the purchasing on so many levels probably relates to both companies’ size and global presence. It would most likely be impossible for them to run a successful business on only one level. CSR has probably not affected this structure’s build-up but it can be found within the activities of the different purchasing units. For example, the operative unit now needs to have closer monitoring of the suppliers to ensure compliance to the Code of Conduct.

Figure 22: Comparison of DHL’s and IKEA’s Work in General Regarding Purchasing (self-made, 2012)

5.4 The Purchasing Process

DHL works with a model of eight steps and if they have to find a new supplier six more steps are added to the beginning of the process. IKEA follows a model of nine steps. In the theory presented van Weele (2010) divides it into six steps whereas the one presented by Shao et al (2008) is split into three more inclusive steps.
All the models are a bit different as to how the steps are titled and how inclusive they are but the general idea of them is very similar. They start with a need or demand that must be defined and then a request is sent out after which the companies eliminate suppliers and chooses one after which a contract is signed and order is placed. Then the goods are received and the supplier is evaluated. Shao et al (2008) and IKEA is also including a step for creating and implementing a plan of development for the supplier. The reason why the different models are similar is probably because, unlike CSR, purchasing cannot be defined in significantly different ways.

The purchasing process should be a cross-functional responsibility; the process should be tied to other departments as well according to van Weele (2010) and Enarsson (2006). This can be found at IKEA in the way that they have technicians and engineers in their purchasing teams. They work to directly check and communicate the quality in the purchasing process. At DHL the procurement often work together with the person or department that they are doing the purchase for. As example if they are purchasing a new system of storage and sorting for a new terminal then the procurement will have good communication with the terminal manager. The CSR aspect is not obviously shown in this way of working, unless one argues that the technician and engineer in IKEA’s process is there to ensure that the product’s life cycle aligns with the company’s CSR goals. Within DHL, one could argue that their working method includes the CSR aspect as they need all information from the demanding department in order to procure the most environmental friendly solution.

![Comparison of DHL’s and IKEA’s Purchasing Processes](self-made, 2012)
5.5 Specification
In the specification step both IKEA and DHL defines their demand and prepares the coming activities. Once the demand is clear they ask questions to figure out what supplier they need. DHL asks itself questions such as *where can we find the items? How many suppliers will be needed? Who can deliver this to the right destination with the prerequisites?* IKEA have similar questions such as *what supplier is desirable?* This shows a connection to their CSR work as they will not find a supplier desirable if they use for example child labour. IKEA makes a supplier profile and then search for suppliers by mapping. DHL works similar as they conduct checkups on the suppliers’ background. These steps match well with the theory and the example questions provided by Enarsson (2006) and Ballou (2004). Looking at the questions DHL asks itself, a connection to the CSR work is not clearly shown. They have even stated that the environment does not have as big weighing in the decision of a supplier as price, time and availability does. Comparing the two companies, DHL seems to be in progress with implementing their CSR work in the whole purchasing process. An example that shows this is the statement given regarding the process in which every supplier’s contracting will be reviewed in order to ensure that they all have signed the Suppliers Code of Conduct, which could be seen as a sign that CSR is becoming more important in the company. IKEA on the other hand seems to have come further in the work of implementing CSR in the whole purchasing process.

Figure 24: Comparison of How DHL and IKEA Works With Specification in the Purchasing Process (self-made, 2012)
5.6 How to Select and Assess Suppliers

When selecting suppliers, there seem to be many different ways to go about it. DHL has a selecting process which consists of four steps, which aligns with van Weele’s (2010) example of a selection process. These steps do not contain precisely the same content though, which will be discussed further on. When comparing with IKEA, their selecting process contains of only three different steps. One reason might be that each step in IKEA’s process contains more activities and therefore the fourth step is not needed.

When starting the selection process, both IKEA and DHL now has a supplier base that they can choose from. How extensive this base is depends on how DHL and IKEA answered its questions in the previous step in the purchasing process. These suppliers will be approached for questioning, and DHL handles this by sending out an RFI whereas IKEA seems to work more with personal conversations. Both ways are aligned with van Weele’s (2010) and Shao et al.’s (2004) suggestion on how to obtain information. Both DHL and IKEA ask questions that are clearly created due to their CSR work; this is for example when they ask about the supplier’s environmental work, ethical work, how they evaluate their suppliers, and willingness to comply with the Codes of Conduct.

Before sending out an RFQ; DHL makes its first elimination which aligns with Shao et al. (2004) and van Weele (2010), whereas IKEA makes its first elimination round later in the process. The RFQ contains similar questions from DHL and IKEA and the aim is the same; to find out a supplier’s capacity, structure, product development, prices, manufacturing, finances and quality. The RFQ in neither DHL nor IKEA seems to be directly connected to CSR issues. One possibility though is if the answers are reviewed through a CSR perspective. For example, a supplier’s answer regarding its production and certifications might indicate if the supplier is probable to comply with CSR conditions or not. This will help them assess if the supplier is worth conducting business with or not.
IKEA also uses a classification matrix in order to help them assess and select suppliers. DHL on the other hand has not stated in their selection process that they will classify their suppliers, though later in the evaluation process it will become clear that they do. Looking at IKEA’s work and Enarsson’s (2006) statements, a logical conclusion can be drawn that DHL most likely uses this classification in this step of the process. DHL uses the Kraljic Portoflio Matrix, in which they classify suppliers in regard to “purchasing impact on financial result” and “supply risk”. This aligns with Enarsson (2006) who states that using Kraljic’s matrix is fundamental in purchasing. IKEA does not classify its suppliers in the classical Kraljic Portfolio Matrix, though one could argue that the matrix they use is an adaption of it. IKEA’s “dependency level” aligns with Kraljic’s “Supply risk” because the fewer suppliers that is available, the smaller IKEA’s bargaining power becomes. IKEA’s “Supplier Uniqueness” aligns with Kraljic’s “purchasing impact on financial result” as the higher uniqueness a supplier has; the more important its products are for IKEA. Basically, IKEA’s model is Kraljic’s matrix but reversed and turned 90° clockwise.

After having classified the suppliers and gone through the answers from the RFQ, both DHL and IKEA are ready for selecting suppliers, which aligns with van Weele’s (2010) selection process, though they do it in different ways. DHL invites the suppliers to meetings and negotiations. Here they discuss CSR related matters such as acceptance of the supplier’s Code of Conduct and different certifications. Exactly what matters will be brought up depends on the country as DHL states that they cannot have global regulations due to cultural, political and geographical differences. IKEA disagrees here, where they have one routine that abides all suppliers. Before being selected, the supplier has to be presented for the so called Supplier’s Council in which for example IWAY compliance, supplier strategy, implementation plan and classification positioning must be discussed. Regardless of in which country the process is conducted, these matters will always be assessed. This is probably better as every supplier then is being chosen on the same prerequisites and it will not be more beneficial to come from a certain country. It will probably also be easier to ensure that the CSR criteria are being treated and seen to in the assessment if the same procedure is conducted everywhere and not as with DHL where it can be
conducted differently depending on the country. DHL finds their solution optimal though, as they see is as a way for each country being able to tailor a solution that best fits them. This can probably be true, because a country’s condition in regards to infrastructure, availability to environmental friendly solutions and possibilities for development differ a lot. Perhaps environmental matters are harder to generalise then ethical, as they depend more on a country’s resources whereas human rights and facility requirements are easier to apply in many countries.

Figure 25: Comparison of How DHL and IKEA Work With Assessing and Selecting Suppliers in the Purchasing Process (self-made, 2012)

5.7 Contracting
In this step, both companies show that CSR plays an important part by demanding CSR related policies and Codes of Conduct to be signed by the supplier. DHL clears any last ambiguity with the supplier and then the contract is written and signed. They also make sure that the supplier is aware and will comply with DHL’s Supplier Code of Conduct. When IKEA signs a contract they additionally have the supplier sign that they will comply with IWAY, General Conditions and the Anti-Corruption policy. This agrees with van Weele (2010) who amongst other things talk about to custom make contracts to fit the company culture. IKEA also creates an action plan together with the supplier. In this plan, suggestions on how the supplier will fulfil IWAY during the upcoming year will be treated as well as plans for how the supplier can develop and improve. This is something that DHL does not conduct with their
suppliers. This is probably due to that they do not have the same demands as IKEA when it comes to fulfilling the whole Code of Conduct within in the upcoming year.

Figure 26: Comparison of DHL’s and IKEA’s Work With Contracting in the Purchasing Process (self-made, 2012)

Sub query 2: How do companies with different types of products, who have implemented CSR, ensure that their suppliers uphold their CSR criteria?

5.8 Ordering

DHL uses a software system that places orders, though they can also do it manually. IKEA works in the same way; they as well have a software system that makes forecasts and places orders. Both companies’ work aligns with van Weele (2010) though IKEA do not seem to do it manually. As seen with DHL and IKEA, this part of the purchasing process seems to be performed on routine and is not affected by the CSR concept.

Figure 27: Comparison of How DHL and IKEA Order in the Purchasing Process (self-made, 2012)
5.9 Expediting

According to DHL and IKEA, they conduct expediting to make the delivery come faster if delayed. This concurs with what Coyle, Bardi & Langley (1996) and Ballou (2004) have stated. DHL has a clause in the contract that specifies the expected service level and possible penalties if this is not fulfilled. They also do checkups once they know the expected delivery date. This agrees with the second of van Weele’s (2010) different types of expediting: the Prevention Approach which states that the buyer will contact the supplier some time ahead to confirm the delivery date. IKEA on the other hand uses a working method that is more aligned with van Weele’s (2010) third type of expediting: Advanced Status Check which states that a supplier’s progress is regularly checked. If one of IKEA’s suppliers will be delayed, the operative purchasing team will investigate why it happened, if the order can be replaced and how the supplier can reprioritize in order to make delivery faster. The supplier will be monitored on a daily basis until the delivery has been made.

Why does not DHL use this same method? According to them they have such good relationships with their suppliers that they just give them a second chance and let them improve their process routines until the next time. But is this a smart way to go about it? How many times can a supplier be allowed to “improve” its process before he becomes unprofitable for DHL? Or perhaps IKEA’s method is too extensive? Do they feel the need to keep such a close monitoring on their suppliers because of worse relationships compared to DHL? Perhaps there is a CSR influence here? As the purchasing team has to investigate why the delay happened, it could be because they suspect that a breach of the code has happened. Then it would justify why they keep such a close monitoring. Of course also the criticalness of the product plays a part. If it is an important product, IKEA would be more prone to see that it arrives fast. One interesting aspect is if DHL’s or IKEA’s expediting work could be hindered by their CSR work? If an order is delayed, they cannot speed up the production by demanding more working hours as that might violate their own Code of Conduct.
5.10 Supplier Relationships
When looking at DHL and IKEA, it is clear that they strive to have good relationships and to have mutual trust. DHL has even stated that they feel that they almost always have good relationships with their suppliers. Regarding the trust factor, this can be seen in IKEA’s IWAY and DHL’s Code of Conduct where it states that information from and regarding suppliers is confidential. This aligns also with Enarsson’s (2006) criteria: Integration and integrity. IKEA also shows their level of trust towards their suppliers by the level of responsibility they get. Another of Enarsson’s (2006) criteria is cultural fit, which is something that both IKEA and DHL work hard to achieve. By working with their suppliers, educating them and helping them; the two companies try to reduce the cultural gaps and strengthen the relationship. This agrees with van Weele’s (2010) description of a successful relationship. Enarsson (2006) argues further that communication is important for a successful relationship. This is something that both DHL and IKEA conduct as they have continuous contact with their suppliers. IKEA’s operative purchasing team speaks to suppliers on a daily basis, and during audits the auditor speaks with the supplier. This is also the case in DHL’s audits. Both IKEA and DHL have easy ways for suppliers to report suspicions of violations to the Code of Conduct. Good buyer-supplier relationships are most likely very important in IKEA’s and DHL’s CSR work and purchasing processes; this in order to make the suppliers comply with the Code of Conduct as well as make deals that are beneficial for both parties.
5.11 Evaluation

Pedersen & Andersen (2006) argues for the importance that companies understand that CSR is something that must be controlled throughout the whole supply chain and not only in the company itself. The information gathered from DHL and IKEA shows that this is two companies that clearly have understood this importance. When IKEA works with their suppliers, not only do they ask their suppliers to comply with IWAY, but they also ask questions regarding how they control and evaluate their suppliers in return. IKEA works with the main supplier, but if they feel that it is necessary they can go directly to the sub supplier and place orders or help them develop et cetera. For example, instead of buying the mattress from its main supplier and trusting that the supplier has control over the sub suppliers, IKEA instead bought chemicals and created the latex mattress, and sold it to the supplier, who assembles it and adds necessary parts and then sells it back to IKEA. This way, IKEA has more control over the supply chain and makes sure that it meets their CSR criteria.

The way DHL work is also by demanding a compliance with the Code of Conduct and asking their suppliers how they educate and evaluate their sub suppliers. This is done in an early stage, already before the first elimination round. Further DHL states that they require a transparency from their transport partners and their suppliers in turn and that one of their long term goals is to make the whole supply chain involved
in green procurement of transport services. They have also stated that they know that in order to achieve their goals, they depend on the performance of their suppliers and sub suppliers. When comparing IKEA with DHL, IKEA sometimes buys the components and makes sure that the right chemicals, materials et cetera are being used which is something that DHL does not do. For example they do not buy the biogas fuel and provide own gas stations but only demand that vehicles use it. One way could be if they buy the fuel themselves and then only allowed the vehicles to fuel at certain DHL gas stations. One way DHL does control their suppliers though is by the work DHL Sweden has made by installing devices that measures the speed the vehicles drive in. By measuring this, DHL can control the level of security as they can see which drivers that drives too fast and demand that they reduce it.

Both DHL and IKEA have extensive and continuous evaluation of their suppliers. By keeping a close monitoring and actively use and follow up Codes of Conduct, both of the companies can control the supply chain and the potential CSR issues that occur. This work aligns with van Weele (2010), Pedersen & Andersen (2006), Enarsson (2006) as well as Maignan, Hillebrand & McAllister (2002). The use of Codes of Conduct are introduced early in both companies, already when searching and selecting suppliers.

Both companies demand compliance to the Code of Conduct. But it is not easy to make everybody comply. IKEA has experienced problems aligned with Pedersen & Andersen’s (2006) statements; in China for instance, it is in their culture to want to work as much as humanly possible for a couple of years and earn a lot of money, in order to settle down later and start a family. But that does not align with IWAY in which the working hours are regulated. There is then a risk that the employee chooses to stop working there and chooses another employment without these regulations. Another problem can be when the countries laws or regulations are easier then IWAY’s demands. For instance regarding safety rules and fire prevention it can be hard for Asian suppliers to understand why they have to comply with IWAY that is stricter. One problem that DHL is faced with is that of driving safety; they have stated that for example Sweden is a country where the vehicles have slowed down
due to DHL’s requirements. This might not be surprising as other countries have different driving cultures.

Classification is an evaluation method used by both companies, though in slightly different ways. As DHL assess their suppliers during the step “selection” they put them in their classification matrix in order to know what strategy to use on them. Depending on the category the supplier is classified as; an evaluation will be done every, every second or every third year. As explained earlier in this analysis, IKEA classifies their suppliers in regard to how much they depend on them and how unique they are. This classification is used again in this phase as the purchasing team goes through an evaluation process of each supplier where they, amongst other things, look at the first classification made of the supplier and if necessary revises it.

Both DHL and IKEA have an advanced evaluation process, though IKEA applies it to every supplier connected to the core business whereas DHL only does it to their key suppliers. In this process, they look at quality, compliance with the Code of Conduct, prices, risk, competence and market presence. This aligns with van Weele’s (2010) suggestion of what to evaluate. IKEA’s process includes going through the suppliers overall performance, which as well aligns with van Weele’s (2010) suggestions. After this assessment, the purchasing team decides if the supplier needs a full, medium, low or no evaluation. If none is decided that means the cooperation will be terminated. Then they look at the evaluation that was made when the supplier was selected and possibly the action plan and see if progress has been made.

Another classification that IKEA has that DHL does not, is risk classification. It was just mentioned that DHL’s process involves risk, but this is not risk concerning a possible break of the Code of Conduct but more how critical they are for the company. And with critical, DHL mean a supplier who is crucial to the operation. But IKEA’s risk assessment is directly linked to their CSR work, and depending on how the supplier performs it will be classified differently. This is interesting and is something that no author in the theory has touched. As CSR is important, and control and evaluation of the supply chain is crucial, it makes sense to categorize suppliers according to their risk level. By risk assessing, IKEA will know which suppliers to
work with and which they should terminate their cooperation with. This aligns with van Weele’s (2010) statement that evaluation will lead to a reduced supplier base. Risk assessment connected to CSR should be done within DHL as well. If a supplier is known to not comply with the code or do suspicious activities they should be classified accordingly in order to strengthen DHL’s environmental work.

Something that IKEA and DHL share in common is the work of conducting audits. This is a very important part in their evaluation work. DHL asks their suppliers in the early phases if they accept that DHL makes environmental audits and IKEA has it as a necessity and do not even ask their suppliers if they accept it, it is a requirement that they do. The two companies both have external as well as internal audits. The difference is that DHL uses also their own employees to make internal audits whereas IKEA’s internal audits are made by external parties such as from ISO. When visiting a supplier, IKEA can do pre audits when the purchaser or technician looks at the site through a CSR perspective. This is not done within DHL as they only do announced audits and follow a checklist. The unannounced versions that IKEA uses are probably something that DHL should implement since it can look very different on the site the day they arrive if the supplier is aware of that they will be evaluated. It will give a more reliable assessment if unknown audits are conducted.

When comparing the two companies IKEA seems to have come further as they do unannounced audits and they also have as a policy to make a new audit as soon as a supplier changes its sub supplier et cetera. Also the amounts of audits are more within IKEA’s suppliers than DHL’s. IKEA conducts audits at least once a year, whereas DHL does it differently depending on where in the DHL Classification Matrix the supplier is located. IKEA performs audits more often with high risk suppliers, which is something DHL cannot base their amount of audits on since they do not have this type of risk assessment.

DHL uses a type of evaluation that IKEA does not. They use global surveys in order to evaluate core carriers, national and local suppliers. The survey itself is general in order to be suitable to as many countries as possible but it will probably give DHL a good overview over its suppliers and how they relate to DHL’s CSR work, which can
be a good base for the purchasing department when deciding what supplier to select. One reason why IKEA does not have surveys like these can probably be because of their extensive evaluations work. Since they go through every supplier once a year, they probably do not feel the need to do a global, general survey. To evaluate their own CSR work, DHL and IKEA conducts an employee survey; here they ask all employees how they look upon the CSR contribution they make. This could be related to purchasing in regard to more local purchases such as office supplies, sanitary facilities, lightening etc. If the personnel perhaps feel like they do not contribute much due to perhaps the facility then the purchasing department could see if more environmental friendly alternatives can be used.

DHL uses as well something called a Green Carrier Scorecard in order to gain transparency with their suppliers, gain information and maintain a good relationship. This method aligns with Enarsson (2006). This is an important tool as it gives information that purchasers can base their decisions on and it is clearly related to DHL’s CSR work. IKEA uses a scorecard as previously mentioned which also treats CSR issues as it contains a column regarding notes received at audits.

Figure 30: A comparison on DHL’s and IKEA’s Work With Evaluation in the Purchasing Process (self-made, 2012)
6. CONCLUSION AND RECOMMENDATION

In this chapter the authors will present conclusions for the research questions based on the analysis in the previous chapter. Further, recommendations will be given.

6.1 Conclusion:

Below, a complete model that ties together figures 20-30 in chapter 5 is presented. The model presents an overview of all differences and similarities that exist for DHL and IKEA when having CSR in the purchasing process and is divided according to the research questions.
Figure 31: A Comparison Model of DHL’s and IKEA’s CSR Work in the Purchasing Process (Self-made, 2012)
Statement 1: It is not the industry or perspective that makes a difference in how CSR affects the purchasing process, but rather how far the companies have come in their work with CSR.

When looking at the summary model, it is clear that much of the way DHL and IKEA work is similar, even though they work in different industries. That probably has to do with the fact that a purchasing process will not differ much from one company to another as the steps are quite fundamental. When comparing the companies’ active work with CSR, even though they have different perspectives, the core of the work seems to be aligned with each other.

Statement 2: A Code of Conduct is the most characterizing influence on the purchasing process in companies that work with CSR.

After having looked at Theory, DHL and IKEA the authors have come to the conclusion that the CSR work’s most significant impact on the purchasing process is the Code of Conduct. The Code of Conduct is integrated in the different steps of the purchasing process.

Statement 3: Codes of Conduct are constructed in similar ways regardless of industry or perspective

Looking at DHL and IKEA, their Codes of Conduct are both based to a large extent on the same guidelines. Looking at the Code of Conducts’ content and headlines, they are similar even though the companies have different perspectives and work in different industries. The only difference is the depth of some parts; DHL has more thorough environmental criteria whereas IKEA’s ethical criteria are more thorough.

Statement 4: CSR has affected the purchasing process

The person working with purchasing at a company who has chosen to work with CSR has to consider more than just finding a supplier that can deliver the product or service at the right time to the right prerequisites. The requirements in most steps of the purchasing process have become more detailed and embracing. When purchasing, this is done on many levels. Looking at IKEA, their operational unit is not unlikely to
have been created due to CSR as they needed people to regularly evaluate and assess suppliers. A consequence of CSR being present in the purchasing process is the requirement and need of transparency throughout the supply chain. Due to this, companies have had to include regulations and requirements in contracts.

In the specification step companies already start to consider the most fundamental requirements of their Code of Conduct to ease for the coming process and these codes are based on pretty much the same guidelines. In the step of selection the CSR requirements has become as important as price and if the supplier can deliver on time. This has made the step of selecting more complex which can be seen in both IKEA’s and DHL’s purchasing process as this adds additional steps. Questions are asked to the supplier of their CSR work and this is used when choosing whom to work with. This information is then used to already start the classification of the supplier where their CSR work is an important part. Next in the contracting step the presence of the CSR work is very clear as the Code of Conduct is in some form attached to the contract at both DHL and IKEA. In IKEA’s case they make the supplier sign that they will comply to IWAY.

The CSR work is not as clearly present in the ordering process, as found at DHL and IKEA the ordering has not changed due to the CSR work. This is also the case in the step of expediting as the way DHL and IKEA works with this has not been influenced much by the CSR work. CSR is very much present in evaluation and this step has become a lot more elaborative due to CSR. Many activities have been added such as audits, surveys, checkups and risk classification. Evaluation has now become one of the most important steps in the purchasing process as it is here that the unsuitable suppliers will be discovered and control of the supply chain enhances.

*Statement 5: The supplier relationship becomes stronger due to the CSR.*

The supplier relationship becomes stronger due to the CSR work as there is more of a dialogue of how they should work to follow the Code of Conduct. The audits performed also give a better insight in how the supplier works. In IKEA’s case they create an action plan for their supplier’s CSR work which shows that they have big
interest in the supplier and the relationship becomes closer. Further IKEA provides the supplier with training to help them understand IKEA’s CSR work.

This presence of IKEA at the suppliers’ sight further contributes to a closer relationship as they better understand how each party work now. There is a potential for a stronger trust due to the CSR work as the Codes of Conduct at IKEA and DHL includes the criteria of integrity and integration. Both companies have understood that in order to ensure the supply chain’s compliance with Codes of Conduct and regulations, control and communication is needed. As a consequence, IKEA has started to procure raw material or do business three links back in the supply chain.

**Main Question:** Companies with different types of products, who have implemented CSR, works actively with CSR in their purchasing process. The presence of CSR in the process is continuously improved. How to work with CSR in the purchasing process does not seem to depend on the industry nor the perspective the focus is on. It seems more likely to depend on how far the company has come in its CSR work.

**Sub Query 1:** Companies with different types of products, who have implemented CSR, choose their suppliers based on CSR criteria by having made CSR present in all stages of the sourcing process. Both DHL and IKEA have sub-processes handling these steps. CSR is most clearly shown in the particular step where the selection of a supplier is made. This is not surprising as it is a vital part. This is where the company decides to work with a supplier that will uphold their good reputation.

**Sub Query 2:** Companies with different types of products, who have implemented CSR, ensures that their suppliers uphold the CSR criteria by close relationships and extensive evaluations. It is by the relationship that transparency is possible. The evaluation is the most important way that a company can ensure that they only work with suppliers who comply with CSR, and who is not a risk for the company’s reputation.
6.2 Recommendations:

The authors recommend that both DHL and IKEA continue their work with performing audits regarding the supplier’s work. This as it will help the company assure that their CSR work is complied with. The authors want to recommend DHL to conduct unannounced audits in order to ensure that the suppliers comply. As IKEA already conducts this; the authors only recommend that they continue with it.

The authors further recommend that both of the companies continues to strive for good relationships with all their suppliers as this will create better communication and trust which is important factors for a successful collaboration. The authors recommend that DHL and IKEA continue to work in a cross-functional manner in their purchasing process. It is a good way for involving more parts of the company in the purchasing decision and especially when wanting to ensure that the CSR conditions are met. They would like to recommend DHL and IKEA to keep having CSR introduced early in the purchasing process as this is important in order to get a suitable supplier that will comply with the requirements set upon him.

DHL is recommended to start working with risk assessment, something that IKEA already does. This will help DHL to see which supplier they should initiate a partnership with. This will then ease their process of selecting a supplier. Since both DHL and IKEA does not have a CSR definition documented, the authors recommend them to implement this to ensure that everyone within the company, the supply chain and that their stakeholders interpret the term equally.
7. REFLECTION

In this chapter our performance will be analyzed according to the criteria stated in section 2.9 and how the work has been progressed.

The authors reflect on their study to consider its quality. The authors have tried to make the thesis credible by presenting the empirical data to the respondents to ensure that the responses were interpreted correctly. The empirical data concerning DHL was presented to Maria Öhman Nilsson (Environmental Manager at DHL Global Forwarding) and Mattias Kallbro (Procurement Manager at DHL Nordic AB). They read it through and gave a few small comments that were attended to. The empirical data concerning IKEA was presented to IKEA Component’s Strategic Purchasing Manager and IKEA Component’s Sustainability Manager. They both replied with a few comments which were corrected by the authors. This has led to a higher trustworthiness.

Confirmation can be found in this thesis as the authors have tried to be objective all through the study of theory and empirical data. It is first in the analysis that some discussion by the author is present and then in their conclusions. The authors have worked to present a fair view of the cases of the companies’ work with CSR; this has been done as they have studied documents of the companies’ performances and asked many questions to the respondents in order to try to understand their work. An aspect to consider is that the empirical data could be biased as the information is provided by the companies. This might have affected the study’s authenticity in regard to fair view.

When reflecting on the time schedule that was set up before starting to write the thesis the authors find that the requirements for what had to be turned in for the seminars were always achieved in time. Regarding the authors’ personal goals, these were not always met; this as they were delayed two weeks at the end of the period. What caused the authors to not be able to keep up with their personal goals were foremost delayed responses from the companies. This led to the last interviews not being conducted until the week before the thesis was due. As a consequence the work
with the last parts of the thesis had to be made in less time than planned. Another reason is that in the beginning the process when formulating the research questions; this ended up being more time consuming than planned as well as when deciding what type of study that was to be followed.

What could have been done differently? The authors could have revised their theoretical chapter continuously. Then the chapter would not have become too comprehensive and the authors would not have had to spend as much time on reducing it and making sure all theory was relevant to the research questions. To reduce the delay made by not having received responses from the companies; the authors could have figured out earlier in the process which companies to work with and what kind of study to perform. Perhaps the authors did not communicate clear enough to the companies that a deadline was coming up. That could have sped up the process.

When reflecting on the number of pages in the thesis, it is quite extensive. The reason is that two case studies were undertaken and much information was collected on each company. The authors found that if parts of the empirical data had been placed in appendix instead, the flow would have been disrupted and it would have been harder for the reader to follow the work. The authors therefore find that is justifiable to have these many pages.

It is interesting to reflect on how the thesis could have looked if another methodological approach had been undertaken. If for example a survey would have been conducted, the answers would have been more generalizable but less detailed.

For future papers and projects the authors have acquired that the process of getting started is more time consuming then it seems and it is really important as it lays the basis of the following work. Finding companies that you can uphold good communication with is vital for collecting the empirical data.
8. SUGGESTIONS FOR FURTHER RESEARCH

Here suggestions will be given for other people to continue this study from other aspects which the authors did not include in this thesis.

As further research the authors recommend that a tool is created for measuring the CSR work conducted and the return to the company from the CSR work. This would make it possible to actually see what the company does so that they cannot just say they work with CSR as well as make it possible to convince that CSR work is an investment for the stakeholders. This would further make it possible to compare companies in their CSR work.

The authors also recommend that some research is done on the negative impact of CSR work on the purchasing process and other parts of companies operation. This as the authors have seen in this study that steps as expediting might get slowed down due to their own regulation in the Code of Conduct on the working hours. There might also be something to find on the other steps such as selecting becoming a lot more complex and then maybe also time consuming as more aspects has to be considered.

In this study the authors looked at only one perspective in each company that they focus on, maybe there is more research that can be done if looking at a company working with all perspectives and how this is affecting the purchase process, if that just makes the Code of Conduct more inclusive to cover all perspectives or if other variables get added to the steps in the process. Or else pick companies that work within the same perspective of CSR and compare their work.

It would be interesting to see this study done in a different way. As this study was done as two case studies the results are only applicable for the specific cases, it would be good to conduct a survey and then analyze and see it would be possible to find a more generalizable result as to how companies work with CSR in the purchasing process.
As there are different models out there for what a purchasing process could look like it might be an idea to design a model for the purchasing process specifically for companies working with CSR.

The authors further recommend a study done through a dynamic perspective. It would be interesting to see how the CSR work has progressed over a period of time in order to distinguish exactly which steps or activities that were added due to the company’s CSR work. This could also be helpful in the suggestion previously mentioned; by knowing which steps that were added a CSR purchasing process model could more easily be created.

This study has been conducted out of the perspective of how the CSR work affects the company buying products and services from suppliers. It could instead have been done by looking from the perspective of suppliers and see how they find it to comply with a Code of Conduct and work with CSR criteria. Is it beneficial for them? How is it affecting their work?

The authors would find it interesting if somebody would develop the statements provided in the conclusion chapter into hypotheses that have a theoretical base, and test them in for example a survey study.
REFERENCES

Scientific Literature


**Scientific Articles**


**Electronic documents**


**Internet Websites**


**Unpublished documents:**


APPENDIX
Appendix 1: Interview Guide for DHL

1. How does your company work with CSR?
   - How did the CSR work start? (By following laws, policies, or contracts)
   - Internal process – what steps did you take in order to start and develop your CSR work? (Do you have documents describing this? If so, may we get access to these documents?)

2. How do you interpret CSR? That is, have you documented your definitions of the different terms within CSR and what your specific company means by these terms? (If so, could we get access to these documents? It would be valuable for our thesis!) How do you work with environmental responsibility? What areas do you work with? Why?

3. Who is responsible for your work with CSR? Is the responsibility shared, is a specific group appointed or is just one person in charge?

4. How is your purchasing process designed? What steps is it made out of? (sourcing, selecting, contracting, ordering, expediting, evaluating) What activities are there within each step? What departments/managers are in charge of the different steps? (Are there any documents that describe this? May we get access to these?)

5. How do you find potential suppliers to purchase from?
   - If you do not handle all the transportations yourself: transportation services?
   - If you do handle all your transportations yourself: means of transportation?

6. What are your thoughts on if you should use a local or global supplier? Do you work with single sourcing or multiple sourcing?

7. What does the step “evaluation” look like when you have a couple of suppliers to choose from? What requirements do you have for your suppliers (May we get access to the list of these requirements)? Do you have different lists of requirements for different suppliers with respect to what countries they operate in? (We were thinking if you have stricter requirements for a supplier in for example India concerning the mean of transportation that is used...
compared to what requirement you have for a supplier in for example Germany?)

8. To develop the previous question, do you divide your suppliers in different “risk categories”? If so, what classifies a high, medium and low risk supplier? (Do you have documents that describe this? If so, may we get access to them?)

9. How do you follow up your collaboration with the supplier? During the work or not until after the collaboration has ended? Do you use a Code of Conduct or any other similar guidelines? How often do you visit your suppliers at sight to see if they comply with your requirements? Do you visit different suppliers with different frequency depending on risk level?

10. Have you performed any measurements to see if your CSR work has given you any direct advantages? For example higher profit, more sales and higher satisfaction of customers?

11. To get a better understanding of how your company works with CSR and see how your purchasing process works, we would be very appreciative to take part of three different purchasing situations from the beginning to the end. If you divide your suppliers in different risk categories, maybe we could see one purchasing situation from each level? (Are there documents describing this? If so, may we get access to them?)
Appendix 2: Interview Guide for IKEA

1. How does your company work with CSR?
   - How did the CSR work start? (By following laws, policies, or contracts)
   - Internal process – what steps did you take in order to start and develop your CSR work? (Do you have documents describing this? If so, may we get access to these documents?)

2. Which are your most important stakeholders?

3. How do you interpret CSR? That is, have you documented your definitions of the different terms within CSR and what your specific company means by these terms? (If so, could we get access to these documents? It would be valuable for our thesis!) How do you work with environmental responsibility? What areas do you work with? Why?

4. Who is responsible for your work with CSR? Is the responsibility shared, is a specific group appointed or is just one person in charge?

5. How is your purchasing process designed? What steps is it made out of? (sourcing, selecting, contracting, ordering, expediting, evaluating) What activities are there within each step? What departments/managers are in charge of the different steps? (Are there any documents that describe this? May we get access to these?)

6. How do you find potential suppliers to purchase products from? What are your thoughts on if you should use a local or global supplier? Do you work with single sourcing or multiple sourcing?

7. What does the step “evaluation” look like when you have a couple of suppliers to choose from? What requirements do you have for your suppliers (May we get access to the list of these requirements)? Do you have different lists of requirements for different suppliers with respect to what countries they operate in? (We were thinking if you have stricter requirements for a factory of a supplier in for example China concerning the standard of working environment compared to what requirement you have for a factory of a supplier in for example Germany?)
8. To develop the previous question, do you divide your suppliers in different “risk categories”? If so, what classifies a high, medium and low risk supplier? (Do you have documents that describe this? If so, may we get access to them?)

9. How do you follow up your collaboration with the supplier? During the work or not until after the collaboration has ended? Do you use other guidelines in addition to IWAY? How often do you visit your suppliers at sight to see if they comply with your requirements? Do you visit different suppliers with different frequency depending on risk level? (If you have different “risk categories”)

10. Have you performed any measurements to see if your CSR work has given you any direct advantages? For example higher profit, more sales and higher satisfaction of customers?

11. To get a better understanding of how your company works with CSR and see how your purchasing process works, we would be very appreciative to take part of three different purchasing situations from the beginning to the end. If you divide your suppliers in different risk categories, maybe we could see one purchasing situation from each level?