

CHALMERS



CSR Supplier Evaluations in a China Subsidiary

An Analysis of the Gap between Corporate Guidelines and Local Practices

Master of Science Thesis

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Abstract

The purpose of this thesis is partly to map the current Health, Safety, Social, Environmental, and Ethical (HSE) supplier evaluation process at the subsidiary Local Company in China. The HSE supplier evaluation practice is Global Company's CSR practice concerning suppliers. The purpose is also to analyse what the deviations of this current process from the parent company Global Company's guidelines on HSE supplier evaluations are. Furthermore, we aimed at investigating potential reasons behind the deviations as well as giving recommendations to Local Company and Global Company on how to improve. We have concluded that the current HSE supplier evaluation process at Local Company deviates from Global Company's guidelines on a number of points, *e.g.* wrong documents are being used and the employees evaluating suppliers have not got the adequate training. These deviations partly exist due to low awareness of the guidelines and low prioritisation to work with them. To reduce the deviations we recommend Global Company to revise the guidelines, in order to make the implications of them clearer, and improve the communication of them. The study was conducted as a case study on location at Local Company in China. Research methods were mainly qualitative interviews with the personnel involved in the local HSE supplier evaluation process and studies of organisational documents.

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List of Acronyms and Abbreviations

BCoP	Business Code of Practice
CSR	Corporate Social Responsibility
HSE	Health, Safety, Environment (and here also Social and Ethical)
ILO	International Labor Organization
KPI	Key Performance Indicator
MSDS	Material Safety Sheet
OECD	Organisation for Economic Co-operation and Development
PPE	Personal Protection Equipment
SQA	Supplier Quality Assurance Engineer
UN	United Nations

1. Introduction

This introductory chapter provides a brief background to the topic of the thesis and why it is relevant in general. After this, Global Company's HSE supplier evaluation practice is introduced. Thereafter, the purpose of the thesis and its research questions follow. Delimitations and the outline of the thesis are presented in the end of the chapter.

1.1 Background

During the past decades, Corporate Social Responsibility (CSR) has become increasingly important for companies (Porter & Kramer, 2006). The social, environmental and economical benefits achieved when adopting CSR practices go beyond the boundaries of a single company and involve wider communities (Ciliberti *et al.*, 2008). The most commonly used definition of CSR according to Dahlsrud (2008) is the one created by the European Commission (2011, p. 3): "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." The practical implementation of CSR at companies has largely been built on standardised guidelines and practices (van der Heijden *et al.*, 2010), such as the international guidelines: *International Bill of Human Rights* and *Global Compact* by United Nations (UN), *Declaration on Fundamental Principles and Right at Work* by International Labor Organization (ILO), and *Guidelines for Multinational Enterprises* by Organisation for Economic Co-operation and Development (OECD).

Global Company is an industrial group, world-leading within its industries. Global Company has developed CSR practices based on the above mentioned guidelines (Global Company XII, 2012) and was during 2012 ranked as one of the most sustainable corporations in the world by Global 100 (Global 100, 2012). Global Company claims that it continuously strives to improve in the area, and it has made a commitment to ensure reliable, lasting results with a responsible use of human, natural and capital resources (Global Company II, 2011). In order to be successful in terms of CSR, companies need all actors in their supply chains to operate in a socially responsible way (Ciliberti *et al.*, 2008). Global Company's commitment is backed up by sustainability goals within different areas. One such area is suppliers, where the goal is to work with suppliers committed to high social, ethical and environmental standards (Global Company II, 2011). To achieve this, Global Company has developed guidelines for its subsidiaries on how to evaluate and train suppliers in CSR aspects.

1.2 Global Company's HSE Supplier Evaluation Practice

As a part of Global Company's CSR practice, Global Company seeks suppliers whose policies regarding ethical, social and environmental issues are consistent with its own (Global Company III, 2012). Therefore, Global Company has launched a supplier evaluation practice to evaluate suppliers on their commitments within these areas, besides other aspects such as quality and price. It should be implemented in all Global Company's company units that are involved in supplier evaluations (Global Company VII, 2011). The evaluation practice is called *HSE supplier evaluation*. However, whereas the abbreviation *HSE* originally stands for *Health, Safety and Environment*, the actual practice also covers the aspects *Social* and *Ethical*. Global Company has developed guidelines on a corporate level on how to conduct HSE supplier evaluations. All its product companies, such as Local Company, should adhere to them. These guidelines are presented in the theoretical framework in *Chapter 2*. Besides the

guidelines there are two other documents that will reoccur throughout this report, both related to the HSE supplier evaluation practice. These are the *Business Code of Practice* (BCoP) and the Ten Criteria Letter. The BCoP is Global Company's code of conduct in which the HSE aspects are reflected. The Ten Criteria Letter is a compilation of the implications and minimum expectations on suppliers regarding the five aspects (Global Company X, 2012). The ten criteria are reproduced in *Appendix 1*.

1.3 Problem Analysis, Purpose of the Thesis and Research Questions

Many companies pursue global CSR initiatives partly in order to get acceptance among the local communities at its subsidiaries, and as means of integrating a diverse global workforce into the organisation (Hemingway & MacLagan, 2004). However, such globally formulated CSR initiatives can lack ownership and legitimacy at the local subsidiaries (Muller, 2006). Therefore there could be deviations from the global guidelines at the local levels. When this is the case, there is a lack of consistency in the global organisation's CSR initiative, and the corporate level does not live up to its global commitment. It is therefore important for corporate levels to know how their local subsidiaries follow the global guidelines.

Global Company has developed guidelines on a centralised corporate level that should be used by all its company units on a local level to safeguard the HSE aspects when evaluating suppliers. Global Company has instituted a Key Performance Indicator (KPI) to monitor how its company units (*e.g.* product companies such as Local Company) are working towards its goal to work with suppliers committed to high social, ethical and environmental standards. However, it is uncertain for Global Company how its company units' actual evaluations of suppliers are carried out and how their processes deviate from the guidelines.

The purpose of this thesis is to map the current HSE supplier evaluation process at Local Company and to analyse what the deviations of this current process from Global Company's guidelines on HSE supplier evaluations are. Furthermore, we aim at investigating potential reasons behind the deviations. Finally, we aim at giving recommendations to Local Company on how to meet the guidelines and to Global Company on what to improve in order to decrease deviations from them in the future.

In order to arrive at the recommendations, two research questions have been raised. The first one being:

1. *What are the current deviations of the HSE supplier evaluation process at Local Company from Global Company's guidelines?*

Once we know how the current HSE supplier evaluation process deviates from Global Company's guidelines, the next step is to investigate why deviations from the guidelines exist. The second research question is therefore:

2. *What are the perceived reasons why the current HSE supplier evaluation process at Local Company deviates from Global Company's guidelines?*

1.4 Delimitations

The data collection at Local Company has been delimited to include personnel from three groups: personnel from the sourcing department, personnel from the quality department, and

other personnel that according to Global Company's guidelines should have a role in HSE supplier evaluations. As requested by Global Company, the study was delimited to division 1 and division 2 at Local Company. The data collection from a corporate level has been delimited to a few interviews and study of organisational documents. Furthermore, the study has excluded data collection from levels between Local Company (local level) and Global Company (corporate level). We have delimited the study from including other reporting to Global Company than the reporting of signed supplier commitments.

1.5 Outline of the Thesis

This thesis is organised into nine chapters, each and everyone with a specific focus. The outline of the thesis, including every chapter's content, is summarised in *Table 1*.

Table 1: The outline of the thesis and brief descriptions of the content per chapter.

Chapter	Content
Chapter 1: Introduction	The first half of <i>Chapter 1</i> includes an introduction of CSR and Global Company's CSR initiative <i>HSE supplier evaluations</i> . The second half presents the purpose and the research questions of the thesis, along with its scope.
Chapter 2: Theoretical Framework	<i>Chapter 2</i> contains the theoretical framework. It consists of Global Company's guidelines on HSE supplier evaluations and theories from literatures, related to CSR practices and implementation activities.
Chapter 3: Method	In <i>Chapter 3</i> , the method used during the research is presented including research strategy, research design, research process, research methods and quality criteria.
Chapter 4: Empirical Findings	In <i>Chapter 4</i> , all the relevant empirical findings are presented.
Chapter 5: Analysis and Discussion	In <i>Chapter 5</i> we analyse and discuss our empirical findings in order to answer the research questions. To answer research question 1, the empirical findings were analysed using the first part of the theoretical framework. To answer research question 2, the empirical findings are analysed using the second part of the theoretical framework.
Chapter 6: Conclusions	In <i>Chapter 6</i> the conclusions from our thesis are presented, <i>i.e.</i> concise answers to the research questions.
Chapter 7: Recommendations	<i>Chapter 7</i> includes the recommendations for Local Company on how to meet the guidelines and to Global Company on what to improve.
Chapter 8: Further Research	<i>Chapter 8</i> includes a reflection and suggestions for further research.
Chapter 9: Bibliography	In <i>Chapter 9</i> , all sources of literature used within the thesis are listed.
Appendices	The appendices gathered in the end of the report consist of the Ten Criteria Letter, lists of interviewees, a generic interview guide and other relevant information.

2. Theoretical Framework

The theoretical framework is divided into three subchapters. The first subchapter consists of Global Company's guidelines on HSE supplier evaluations. It has been used for data collection and analysis for research question 1. The second subchapter contains theories from literature related to the topic of the thesis. It has been used to analyse research question 2. The third subchapter also contains theories from literature, and it has been used for discussion.

2.1 Global Company's Guidelines on HSE Supplier Evaluations

Global Company has an internal database that is accessible to all employees worldwide. It includes guidelines that all employees are expected to operate in accordance with, also concerning the HSE supplier evaluation practice. The guidelines for the HSE supplier evaluation practice, which are all summarised in the following subchapters, include roles and responsibilities, what trainings to receive, what procedure to follow, which tools to use, and how to measure and report on supplier commitments.

2.1.1 Guidelines on Roles and Responsibilities

Global Company's guidelines on roles and responsibilities related to the HSE supplier evaluation practice state that the HSE supplier evaluation practice is applicable to the procurement functions in the selection and evaluation of suppliers. It should be carried out by the procurement functions regardless if the procurement takes place in a purchasing department or another department, and irrespective of the type of Global Company unit. Furthermore, the guidelines state that the president for each division, the general manager for each company unit and the manager for each department, are responsible to ensure that the HSE supplier evaluation practice is adhered to within its instance (Global Company VI, 2011).

2.1.2 Guidelines on Training

Global Company's guidelines on training related to the HSE supplier evaluation practice state that all Global Company's employees involved in supplier evaluations should have adequate training in the HSE supplier evaluation practice (Global Company VI, 2011). Global Company provides a training package on how to perform HSE supplier evaluations, targeted at purchasers, buyers and quality engineers. If needed, trainers can be recommended from a divisional or corporate Global Company level (Global Company VII, 2011).

2.1.3 Guidelines on Procedure

Global Company's guidelines on the procedure to follow when performing the HSE supplier evaluation practice, state that Global Company's expectations on suppliers (*i.e.* the ten criteria reproduced in *Appendix I*) shall be communicated to the suppliers and followed-up upon. Global Company has provided a commitment letter – the Ten Criteria Letter – containing the ten criteria that should be part of the supplier contract or be sent to the supplier for signature. When a supplier has signed commitment to the Ten Criteria Letter, a risk assessment should be made of the supplier in the HSE aspects as reflected in the ten criteria. If there is reason to believe that the supplier does not follow the ten criteria, an in-depth evaluation, *i.e.* audit, covering the ten criteria is required (Global Company VI, 2011).

Furthermore, supplier evaluations should be documented and a record should be kept on them. Additionally, suppliers should be encouraged to develop their own businesses in line with the

ten criteria (Global Company VI, 2011), and if needed be recommended to implement a HSE management system – a system to work with continuous improvements in the HSE aspects (Global Company IV, 2011). Global Company's requirements on a HSE management system can be seen in *Appendix 2*.

2.1.4 Guidelines on Tools

To communicate Global Company's expectations to suppliers, and follow up on it, Global Company provides the Ten Criteria Letter. The Ten Criteria Letter can also be used to collect commitments from suppliers to the KPI explained in *Chapter 2.1.5*. Also, an example of a checklist, covering the ten criteria, is provided by Global Company and can be used as a tool when doing in-depth evaluations, *i.e.* audits, of suppliers (Global Company VI, 2011). This checklist is very detailed and includes more than 50 questions. Global Company also provides two lists – the *prohibited list* and the *restricted list* – that can be used to communicate to suppliers what substances that should not be used, or limited respectively, in products supplied to or manufactured for Global Company (Global Company XI, 2012).

Furthermore, to communicate Global Company's commitments to the HSE aspects to its stakeholders, including suppliers, Global Company provides the BCoP. All suppliers are expected to have consistent commitments (Global Company III, 2012; Global Company XII, 2012). Additionally, Global Company provides an e-learning for suppliers, which can be used to train suppliers in the HSE aspects and in Global Company's expectations on suppliers regarding them. It is available both via Global Company's website and as a hardcopy DVD to distribute (Global Company III, 2012).

2.1.5 Guidelines on Supplier Commitment Reporting

Global Company believes that “what gets measured gets done” (Global Company I, 2012). Therefore Global Company has instituted a KPI to monitor how its operational units are working towards Global Company's goal to work with suppliers committed to high social, ethical and environmental standards. The KPI is the percentage of *significant suppliers* that has marked such commitment by signing the Ten Criteria Letter. Significant suppliers are defined as all suppliers of core material and of non-core material or services from case to case. The divisional presidents are responsible to ensure that the KPI is reported to Global Company annually (Global Company VIII, 2012).

2.2 Causes to Deviations from Guidelines

The general problem this thesis deals with is local units in an organisation that do not follow corporate guidelines. For this thesis in specific, the local deviations from corporate guidelines are related to a corporate-level CSR initiative towards suppliers. A number of plausible causes have been identified, in various literatures, for the general problem of local practices deviating from corporate guidelines, and also in relation to CSR.

2.2.1 Inadequately Designed Guidelines

Van der Heijden *et al.* (2010) argue that when CSR practices are introduced in organisations, managers and employees confront a new reality that influences all departments and processes of the organisations. Managers and employees can become unable to act when it comes to implementation of CSR practices due to experiencing uncertainty and ambiguity about where to start and what to do. Such situations can arise when either there is a lack of information on

how to work with CSR, or when the information is overwhelming, vague, confusing or contradictory. It can make local branches of an organisation unable to relate to centrally formulated CSR practices, slowing down or hindering the implementation of CSR practices throughout an organisation (*ibid.*).

2.2.2 Lack of Local Involvement in the Formulation of the Guidelines

To implement a vision and get goals rooted into the daily work throughout an organisation, it is important to perform thorough *policy deployment*, according to Bergman and Klefsjö (2010). Policy deployment is both a top-down and bottom-up process that aligns objectives through all levels in an organisation. In order to do this successfully, the company's overall goals must be broken down and translated into the context of each different process in the organisation by top-down and bottom-up communication. It is important that the goals are supported by those working in each process, something that makes thorough communication of the vision, strategy and goals essential. It is easier to get support if all concerned parties participate in formulating the goals. Furthermore, the persons responsible for attaining the goals should themselves be the ones working out the means for achieving them. The persons actually working in the process can better relate to "how" things should be done, while the top management should decide "why and what." By the consultation between levels, policy deployment aligns the "why and what" with the "how" (*ibid.*).

Rubenowitz (2008) elaborates on how the feeling of self control can satisfy basic psychological needs. By being part of planning and decision making processes, a group can sense greater responsibility, control and status. These feelings can lead to higher motivation and harder work towards goals. Furthermore, these feelings can be enhanced even more if the group, to a large extent, is able to work independently and itself decides upon in what way it wants to progress. By this, team members may also feel important for the organisation they work for (*ibid.*). While a high degree of self control could increase motivation, a lack of it could have the opposite effect. This has been observed by Muller (2006) within the field of CSR. In companies with global CSR strategies, where the centrally formulated CSR practice should diffuse to the local levels in its subsidiaries in other host countries, there can exist a lack of legitimacy and ownership in the teams at the local levels (*ibid.*).

2.2.3 Lack of Process Ownership

When it comes to improvements of processes, Bergman and Klefsjö (2010) emphasise the importance of having a clearly defined process owner to succeed with this. They define a process as "a network of activities that are repeated in time, whose objective is to create value to external or internal customers" (2010, p. 457). The authors write that processes to a large extent are about coordination between people, and that they therefore involve teamwork. The major current improvement potentials of processes can often be found in the organisational workflows. To ensure improvement of a company's processes, the management should appoint process owners that have the strategic responsibility of improving and developing each process. The process owner should be responsible for all the process' resources and must set the directions for the business operations with a strategic leadership (*ibid.*).

2.2.4 Willingness to Work with CSR

Hemingway and Maclagan (2004) argue that the adoption and implementation of CSR in companies can be associated with the personal values of individual managers. In fact, they mean that individuals' values will be crucial in the formulation and implementation of a

company's CSR policy. Individual managers may, where they can exert influence, change or initiate projects to address personal moral concerns – thus championing social responsibility themselves instead of being agents of corporate policy. This, they do by the exercise of managerial discretion, *i.e.* the freedom for a manager itself to decide what should be done in particular situations. However, the authors point out the difficulty in identifying the ownership of a value, and separating out individual values from organisational values (*ibid.*). In contrast, Asif *et al.* (2011) argue that CSR initiatives cannot be implemented by individuals on their own. They state that it requires that the organisation develops collective CSR competences and shared perceptions of them.

Boyd *et al.* (2007) claim that too extensive monitoring of suppliers CSR compliance might be counterproductive. They claim that monitoring or inspection, even if a neutral actor makes it, can be perceived as a persecution and singling out of certain supply chain members. Too extensive monitoring of suppliers increases the risk of suppliers engaging in unproductive and harmful activities in pure spite towards the buyer's desires. Furthermore, a high level of monitoring can reduce the autonomy of the supplier, which might lead to negative implications for the relationship between the buyer and supplier. High level of monitoring signals a purely transactional, *i.e.* short-term, relationship with lower commitments from both parties (*ibid.*).

2.2.5 Low Prioritisation of CSR

According to Welford and Frost (2006), there is often a mismatch in the demands set from a company's CSR department and sourcing department. While the CSR department requires further investments in CSR by suppliers, the sourcing department demands lower prices on sourced items. Furthermore, CSR managers often complain that they lack resources and personnel to inspect suppliers (*ibid.*). Also, some companies lack dedicated CSR managers and instead let people do the CSR work in addition to their regular work (van der Heijden *et al.*, 2010). Companies often think they cannot allocate too much management time and resources to CSR issues. CSR issues are seldom highly prioritised and instead of building good systems and procedures they are worked with in an *ad hoc* manner (Welford & Frost, 2006).

2.2.6 Low Awareness of the Benefits

Welford and Frost (2006) have identified that an obstacle for implementation of CSR initiatives in companies can be that employees do not understand why the company should engage in them. Common motives for a company to engage in CSR initiatives, which employees might not realise, can be to strengthen or protect the company's brand, induce positive effects on suppliers' performances or manage stakeholders. These motives behind CSR initiatives are explained in detail in the following three paragraphs.

Companies that undertake CSR initiatives and CSR reporting as a strategic marketing activity want to increase the brand's association with being good. They use it as means to buy good corporate reputation that can be capitalised on (Hemingway & MacLagan, 2004). Companies with a good reputation have proved to be able to achieve and sustain better profit outcome over time relative to others in the same industry (Dowling, 2004). Furthermore, if organisations do not involve in CSR initiatives, or communicate this, they risk reputational degradation. Dowling (2004, p. 20) states that "good reputations foster trust and confidence, bad ones do not." However, the reputation of a company is seldom only based on its own actions. Magnan *et al.* (2011) claim that suppliers can cause reputational degradation of the

buying company. Sourcing from external suppliers does not free the buying company from the responsibility of the actions and business practices of its suppliers. Consequently, it is important to include CSR aspects when selecting and managing suppliers (*ibid.*).

Good CSR performance can decrease absenteeism of workers, increase their moral and commitment to their organisation, increase the retention of the workforce, and increase productivity (United Nations ESCAP, 2005; Welford & Frost, 2006). Welford and Frost (2006) argue that with high turnover of workers it becomes difficult to have a consistent production capability. Thus the ability to meet customers' orders becomes uncertain. Production uncertainty could have long-term effects on the relationship with customers. High employee turnover could also increase a company's costs in terms of employee trainings. Furthermore, workers tend to prefer to work at a company where working conditions and salary are better. By becoming a preferred employer through good working and employment conditions the employer increases its bargaining power and ability to hire quality workers. It will eventually affect the performance of the company (*ibid.*).

Some companies also pursue CSR initiatives as a way to manage stakeholders. Conducting business in a responsible manner is, according to Welford and Frost (2006), increasingly about creating relationship with a number of actors. The most important relationships are between the company and its employees, customers and other close stakeholders. However, trust also has to be built with non-governmental organisations and the civil society. For larger brand name companies it is therefore important to communicate how their CSR practices are being implemented (*ibid.*). Gray *et al.* (1995) identify this reporting of CSR to stakeholders as "...mechanisms by which the organisations satisfy (and manipulate)" expectations put on them by stakeholders to demonstrate good CSR performance (Hemingway & MacLagan, 2004, p. 35). A company that can communicate its CSR efforts will gain a good reputation among its stakeholders (Dowling, 2004). Another motive for companies to adopt CSR initiatives is to create acceptance of the business in the local community in a host country. For companies with global operations it could be a way to integrate the diverse cultures of their employees into the company (Hemingway & MacLagan, 2004; Hilpern, 2009).

2.3 Diffusion of Innovations and Organisational Change

Rogers (2003) defines an innovation as "an idea, practice, or project that is perceived as new by an individual or other unit of adoption" (Sahin, 2006, p. 14). According to this definition, Global Company's HSE supplier evaluation practice can be regarded as an innovation. In the diffusion phase of an innovation, *i.e.* when the innovation is produced and shall be launched, firms face the challenge of how to create incentives and ensure that the intended users adopt and use it in a sustained and effective manner. Therefore, to achieve diffusion of an innovation it is not only important to consider the characteristics of the innovation itself, but a great deal of the focus should be on the behavioural change required by the target beneficiaries to use or work with the innovation (Ramani *et al.*, 2011).

According to Rogers (1995) there are five attributes of an innovation that affect the rate of adoption of it. First, its relative advantage (*e.g.* in terms of functionality or from a cost perspective) compared to the idea, practice or project it supersedes. Second, the level of compatibility of the innovation with the existing context or practice. Third, its complexity, which implies the level of difficulty to understand and apply it. Fourth, the innovation's trialability, *i.e.* the degree to which it can be experimented with. Finally, its observability,

which means the level of visibility towards others (Lindmark, 2006; Sahin, 2006).

Before an innovation has been adopted, there exists uncertainty among potential users about its eventual impact. During the implementation stage of innovations, *i.e.* when they are put into practice, it may be necessary to use change agents that help reduce this degree of uncertainty (Sahin, 2006). Change agents are persons or groups that the potential users can relate to. When they adopt the innovation first they can convince others to do the same (Ramani *et al.*, 2011; van der Heijden *et al.*, 2010). Armenakis *et al.* (1993) argue that by observing others applying a new technique or practice, the observer will get enhanced confidence in adopting it.

Furthermore, to launch innovations that require changes in behaviour, one needs to develop a delivery platform to induce the behavioural changes required. A delivery platform of an innovation is the set of resources – such as skills, knowledge, social networks and financial resources – and functions put together to ensure the adoption of it (Ramani *et al.*, 2011). Kim and Kankanhalli (2009) argue that organisational support for change, such as training and availability of resources, can reduce perceived difficulties of adopting new ways of working. They argue that such support can reduce the time and effort required by the change recipients to adopt new working methods. In line with this, but within the context of CSR, Asif *et al.* (2011) argue that common CSR skills and knowledge are important for an organisation to succeed in implementing CSR initiatives.

Kotter and Schlesinger (2008) describe four major reasons for resistance to organisational change. One of them being peoples believes that they will lose something of value in the change. Therefore people tend to focus on their own interests instead of the whole organisation's interests. A second reason is people's misunderstanding and distrust of the change. If people do not understand the implications of the change they tend to resist it. A third reason is different assessments, *i.e.* when people assess the situation differently from the managers or those initiating the change. They see more costs for themselves and for the company than benefits. The forth reason identified by Kotter and Schlesinger is low tolerance to change, which means that people resist change since they fear that they will not be able to acquire the skills and behaviours needed.

Kotter (2007) also describes common reasons why companies fail in their efforts of transformation or change, whether it regards improving culture, improving quality, restructuring the organisation or turning around the business. A common pitfall could be that the CEO or the general manager for a company does not establish a great enough sense of urgency of the change in the organisation. Other of the common pitfalls described by Kotter are lack of communication and under-communication of the company's vision. Some companies present visions that are too vague or too complicated (*ibid.*).

The role of change agents is also recognised within many organisational change theories, where change agents create or redirect change (Armenakis *et al.*, 1993; van der Heijden *et al.*, 2010). Within the field of CSR, change agents can play an important role translating new general concepts of CSR into languages that fit each organisation or department in them. This could be the case when a CSR practice is set at a corporate level and local branches have difficulties transferring it to the local organisations (van der Heijden *et al.*, 2010). Armenakis *et al.* (1993) argue that it is easier to accomplish organisational change if the organisation has been prepared for the change by an internal change agent coming from within the organisation, for example an organisational leader or a manager. Favourable attributes for a

change agent to possess in order to be able to influence the organisation are good reputation, credibility, trustworthiness, sincerity and expertise within the relevant field (*ibid.*).

Armenakis *et al.* (1993) present three different strategies the change agent can use in order to influence the organisation: persuasive communication, management of external information and active participation. Persuasive communication can be both in terms of explicit information and symbolic information. Armenakis *et al.* exemplify with a CEO who travels to all local units within a corporation in order to discuss the need for change. It both transmits explicit and symbolic information. Explicit information is the information presented, while symbolic information can be the sense of importance or prioritisation communicated simply by taking time and effort to visit. Persuasive communication could be either oral, through meetings, speeches or presentations (live or recorded) or written, through newsletters, memos or reports. By managing external information, *i.e.* using sources from outside the organisation, the change agent can strengthen the message it sends and add confirmation and credibility to it. For instance, the change agent can do this by sending articles or books to the members in the organisation. Finally, by active participation, a change agent can influence organisational members through their own participation in activities. Examples could be arranging common strategic planning activities or experimental learning exercises. This is a strong form of influence since participants place greater trust in information they discover themselves (*ibid.*).

3. Method

In this chapter the strategy, design, process and environment of our research are first presented. Thereafter the research methods used for data collection are discussed, along with the quality measures of the study.

3.1 Research Strategy

According to Bryman and Bell (2011), there are two basic types of research strategies: *quantitative* and *qualitative*. While data collection and data analysis in quantitative research strategy focus on quantification – *i.e.* collection of a large quantity of data to find patterns and correlation, and making numerical measurements – qualitative research strategy usually focuses on meanings of words. Another main difference between the two strategies is the role of theory in the research. In general, a quantitative research has a deductive approach with focus on testing existing theory in new contexts, while qualitative research has an inductive approach to generate theory (*ibid.*). The overall strategy for our study will be qualitative, seeking in-depth descriptions of the supplier evaluation process within Local Company.

3.2 Research Design

The research design of a study constitutes the framework for the data collection and analysis (Bryman & Bell, 2011). It is the sequence that connects the empirical data to one's research questions and conclusions. It can be compared to a plan to get through the research project from point A (the initial set of questions to be answered) to point Z (the final set of conclusions or recommendations) and its main purpose is to help the researcher to avoid a situation where the evidence does not address its original research questions (Yin, 2009).

When choosing a research design one does a trade-off between different dimensions of the research, for example between the possibility to generalise one's findings outside the studied unit or context, and the level of depth of the study (Bryman & Bell, 2011). According to Bryman & Bell (2011) there are five basic types of research designs: *experimental design*, *cross-sectional design*, *longitudinal design*, *case study design* and finally *comparative design*. The different designs are used for different kinds of research depending on the character and context of the unit being studied (Bryman & Bell, 2011) and the characteristics of the raised research questions (Yin, 2009). In our study the unit of analysis is an internal process within one company unit and the research questions requires an in-depth exploration and description of the current state of the process in order to be answered. For such studies, *i.e.* detailed and intensive analysis of a single case, the case study design is the most appropriate research design to use. Case study design is typically used when the studied entity – the case – is an organisation, a location (such as a production site or factory), a person or an event (Bryman & Bell, 2011). Case study is also typically used when the research seeks to deeply describe or explain a present circumstance, or answer research questions of the character *how* or *why* a phenomenon works (Yin, 2009). With our research question 2, which is of a *why* character, we seek to qualitatively analyse perceived reasons for deviations. Therefore case study is an appropriate design for us to use.

Regarding the choice of what case to study, Yin (2009) emphasises the importance of access to potential data about the case. It could be access to people to interview, documents or records to review, or processes and activities to observe in the field (*ibid.*). The case we have studied has been chosen by Global Company based on what company unit it finds most interesting and relevant to investigate. However, there are a lot of potential data from different

sources for this case, and hence the case study design is feasible and appropriate to use for our study also from this perspective.

Yin (2009) describes the process of doing a case study in three phases. In the first phase one should define and design the case study, including developing theory, selecting case and data collection methods. In the second phase one should prepare for, collect and analyse data for the case. In the final phase one should if necessary – if the findings from a case do not agree with what was predicted – modify the theory, and then analyse and draw conclusions from the case. As will be seen in *Chapter 3.3*, the research process for our case study has been based on this. According to Conbere and Heorhiadi (2012), Yin's view on case study research is positivistic, which means that he believes that theory can be tested in a case study, and that findings even can be generalised if doing several cases that support the theory. However, our intention is neither to do several case studies nor to generalise the findings.

3.3 Research Process

Our research process was divided into three distinct phases: *preparation stage*, *execution stage* and *compilation stage*. Each phase fulfilled different purposes and consisted of different activities. The preparation and compilation stages were spent in Sweden while the execution stage was spent in China. The three phases in our process are similar to the three phases described by Yin, which was presented in *Chapter 3.2*.

3.3.1 The Preparation Stage

The preparation stage consisted of preparatory activities, such as introductory meetings with Global Company and literature studies. The objective of the introductory meetings with Global Company, of which one was held in Stockholm, Sweden, and the other in Belgium, was to build an initial understanding of Global Company's view on the HSE supplier evaluation process and the guidelines for it. The literature study ran in parallel with the introductory process and it was aimed at giving us a theoretical background within the areas of CSR, supplier management and implementation of policies. With a more profound understanding of these areas we were able to design the subsequent study more appropriately. It aided us in asking better questions and to easier distinguish what findings are of importance. Based on the literature study, we have built our theoretical framework, presented in *Chapter 2*. The theoretical framework was used as a basis for collecting and analysing data. Furthermore, and as proposed by Yin, it was revised, updated and expanded further on in the process to be more in line with the actual findings.

3.3.2 The Execution Stage

The execution stage was spent at Local Company in China and was aimed at collecting data. The purpose was to generate the data needed to form a thorough understanding of the current HSE supplier evaluation process at Local Company. This, in order to find out how the current process at Local Company deviates from Global Company's guidelines. In total, seven weeks were spent in China to collect data. The data collection methods used were unstructured and semi-structured interviews, studies of organisational documents and verbal protocol. The methods and their *pros* and *cons* will be explained in *Chapter 3.4*. The outcome of the execution stage was *Chapter 4* – the empirical findings.

3.3.3 The Compilation Stage

In the compilation stage the findings from the execution stage were compiled and analysed in relation to the theoretical framework. The two main activities were to analyse the findings in order to answer the research questions, and to write the thesis report. The purpose was to conclude how the current HSE supplier evaluation process at Local Company deviates from Global Company's guidelines, and to analyse possible explanations why the current process deviates. It also resulted in a set of recommendations to Local Company and Global Company on how to improve the situation for the future. The outcome, in addition to the analysis, conclusions and recommendations, was also the entire finished master's thesis report and presentation at Chalmers.

3.4 Research Environment

CSR issues in China is a commonly debated issue. For instance, the British-owned luxury goods manufacturer Burberry recently stopped the production of its bags in a factory in China. The underlining reason was concerns that working hours and conditions at the factory were in violation to Burberry's ethical guidelines (The Guardian, 2012). Also Apple has had recent issues concerning a supplier in China demanding illegal overtime and offering poor working conditions (Han, 2012). Furthermore, workers are still being denied their right to organise independent labour unions in China, even though China's constitution and international human rights standards state the freedom of association. Chinese workers instead need to rely on party-controlled labour unions. The All-China Federation of Trade Unions (ACFTU) is the official labour union, which is under the direction of the Communist Party. The ACFTU is the only legal trade union organisation in China and any lower level labour unions have to be associated with ACFTU. As a consequence of having no effective labour unions, Chinese workers risk facing harassment and poor working conditions when independently advocating workers' rights (Congressional-Executive Commission on China, 2011).

Among the most serious issues in China currently, are safety among miners and child labour. In 2011, 40 children were found working in an electronics factory in Shenzhen, for instance. However, it is unknown to what extent child labour exists in China. The Chinese government publishes no data on child labour, despite frequent requests by other countries' governments and international organisations. There is a continuous problem of enforcing the national law in China regarding child labour (Congressional-Executive Commission on China, 2011).

Environmental problems are numerous in China. Progress has been made in reductions of a number of pollutants. However, the lack of consistency in enforcing and implementing environmental laws and regulations, along with corruption and non-compliance, continue to be major obstacles for the progress of environmental protection (Congressional-Executive Commission on China, 2011). In 2008, China passed the United States as the world's largest emitter of greenhouse gases by volume (not *per capita*). Two thirds of China's energy production is based on coal. It is this reliance on coal as an energy source that stands for most of the increase in greenhouse gases, as well as sulphur dioxide (Zissis & Bajoria, 2008). Another serious environmental problem that currently is getting a lot of official attention is pollution from heavy metals. Lead pollution back in 2009 and 2010 caused the poisoning of several thousands of children in different provinces (Congressional-Executive Commission on China, 2011).

3.5 Research Methods

The research method is the technique by which one collects the data for a study. For example it can be different types of interviews, analyses of contents of various forms, or observations (Bryman & Bell, 2011). Distinctions can be made between different types of research methods, for example between quantitative and qualitative methods. A study can use either one of them, or a combination of both forms (Bryman & Bell, 2011; Ghauri & Grønhaug, 2010; Hofstede *et al.*, 1990). For example, qualitative methods can be used to get a first understanding of an area or topic and in order to formulate preliminary hypotheses that one later can try to verify with quantitative methods (Hofstede *et al.*, 1990). However, since our research strategy is purely qualitative, only qualitative research methods have been used. Likewise, qualitative research methods are appropriate for case study design since they are particularly good for generating an intensive and detailed examination of the case (Bryman & Bell, 2011).

One's choice of a research method will limit the conclusions that one can draw from the data. There are positive aspects related to combining different research methods. By combining different research methods one can expand the possibility to draw conclusions from one's study. The approach to use several different methods is called *triangulation* (Ghauri & Grønhaug, 2010; Scandura & Williams, 2000). By triangulating it will be easier for the researcher to distinguish real facts in data and filter out noise such as personal opinions; it will affect the different quality measures of the research. For example, Scandura & Williams (2000) emphasise that the use of a variety of methods can result in higher external validity and that recommendations to managers thus can be made with greater confidence and clarity. We have combined different research methods in order to triangulate. The methods we have chosen to use for our study are unstructured and semi-structured interviews, studies of organisational documents and verbal protocol. These methods are explained in the following sections. (Ghauri & Grønhaug, 2010)

3.5.1 Unstructured and Semi-structured Interviews

There are two main types of interviews in qualitative research: unstructured interview and semi-structured interview. A researcher performing unstructured interviews does not use any set of predetermined questions, but it rather uses a list of topics to be discussed during the interview as the only guidance. For the semi-structured interview, however, the interviewer uses a set of predefined questions – an *interview guide* – guiding but not limiting the interview. That means, the sequence of the questions can be changed and new questions that arise during the interview can be added (Bryman & Bell, 2011).

The interviewees in our study were chosen by snowball sampling – or *snowballing* – which implies a non-probability sampling where people who are regarded as relevant for the topic of the study have been asked to identify potential interviewees, which they find important to interview (Bryman & Bell, 2011). Since the purpose has been to gain deep understanding it would make little sense to select interviewees randomly since people with no insight into the matter then could be chosen. In total 42 interviews have been held. Both of us attended all interviews. A list of interviewees can be found in *Appendix 3*. Notes were taken by both of us during the interviews. Immediately after the interviews, we sat down and discussed what data were relevant. These data were then documented. This is how the data were analysed.

Bryman and Bell (2011) emphasise the importance of conducting qualitative interviews in an environment where both the interviewer and the interviewee have few distractions. When

possible, our interviews were conducted in such a setting. Bechhofer, Elliott, and McCrone (1984) claim that being more than one interviewer per respondent brings several advantages (Bryman & Bell, 2011). For instance, it is easier to take extensive notes, and to ensure that important topics are being covered. Moreover, the passive interviewer could intervene at any time it feels an issue needs to be probed further or wants to change direction of the questioning. Additionally, being two interviewers contributes to a more relaxed atmosphere giving the interviewee a feeling of sitting in an informal discussion rather than in a formal exchange between two persons (*ibid.*).

Ghuri and Grønhaug (2010) claim that an advantage of qualitative interviews is that the interviewee's behaviours can be described more accurately since interviewees are able to answer the questions according to their own thinking rather than being limited to a set of options. A disadvantage of qualitative interviews, on the other side, is that they can be hard to interpret and analyse. The interpretation of the interview data is greatly influenced by the background of the interviewers causing issues concerning the objectivity (*ibid.*).

3.5.2 Studies of Organisational Documents

Bryman and Bell (2011) state that organisational documents can be used in case study research in order to build a description of the studied organisation and its history. Organisational documents could be both public information such as annual reports and press releases, and internal information such as organisational policies and regulations. The authors state that a potential down-side of studies of organisational documents could be a lack of access to internal documents. Some researchers therefore have to rely on public material (*ibid.*). We have used studies of organisational documents as a research method to construct the first part of our theoretical framework and also as a means of verifying findings from interviews and to increase the depth of the case study. Moreover, we were able to include internal documents in our study since we were granted access to relevant internal databases.

3.5.3 Verbal Protocol

Van Someren *et al.* (1994) state that if one simply asks people to describe how they normally do a process, it is likely that what they tell will be incomplete or incorrect since it is constructed from their memories. A good way to mitigate this problem is to let the interviewees perform the process while thinking aloud, *i.e.* simultaneously describing what they are doing and why (*ibid.*). Bryman and Bell (2011) state that the idea is to find out the respondent's thought process while it is performing a task. According to Kuusela and Pallab (2000) this research method is the most widely used process tracing method. We have used this verbal protocol method in order to find out how the checklist is being used during audits and to find out the respondents thoughts behind it (the checklist and the audit process are described in *Chapter 4*). We were unable to actually go on-site to suppliers together with the respondents to perform the method there. This, due to time constraints among the employees at the quality department. However, we instead simulated a situation for the relevant interviewees of a supplier audit and provided them with a checklist to go through as they normally do and simultaneously explain what they look for and how.

3.6 Quality Criteria

There exist four so-called tests that are commonly used in order to establish quality of empirical social research: *construct validity*, *internal validity*, *external validity* and *reliability* (Cepeda & Martin, 2005; Yin, 2009). The construct validity test is essentially to ask oneself if

what one measures actually reflect what one intends to measure (Bryman & Bell, 2011), *e.g.* if laughter really is a measurement for happiness. Internal validity is inapplicable to descriptive or exploratory studies (Yin, 2009), like our own case study, and hence it will remain unaddressed in this thesis. The external validity deals with the question of whether the findings of a study are generalisable to units, objects, cases or populations beyond – *i.e.* external to – the one studied. Since the focus of case studies in general is on creating descriptive in-depth explanations of a specific case, it is commonly criticised for being a poor basis for generalisation. However, while for example survey research relies on statistical generalisation, case studies rely on analytical generalisation. The last quality test, reliability, is about the replicability of a study and its result. It basically entails asking the question of whether a new identical study of the same case, performed with the same exact procedures as the first one, would bring the same exact results. A fully reliable study is a study without bias and errors. A prerequisite for reliability is documentation of the procedures used for a study (*ibid.*).

Yin (2009) describes several tactics for dealing with the quality tests in case studies. A means to increase the construct validity is to use multiple sources of evidence and to have the draft of the report for the case study reviewed by the key informants used during the study. By this one can see whether what one thought one has measured is what the informants really meant. To increase the external validity one should use theory, if conducting a single-case study, or use replication logic, if conducting a multiple-case study. Finally, to increase the reliability of a case study one should use a protocol for how to conduct the study and how to collect data, along with adequate documentation of one's process and results (*ibid.*).

We have used the tactics described by Yin (2009) in order to increase the different quality aspects of our case study. For instance we have searched for evidence in multiple sources, both through interviews and document studies, in order to increase the construct validity. Furthermore, we have also let key informants review segments of text from the preliminary report and comment on it. This has also increased the construct validity. When it comes to the external validity, this is in general low since it is a case study we have conducted. The first research question has even lower external validity due to being highly specific for the very company unit studied. However, we deem it to be somewhat higher for the second research question due to the use of theories from literature. We documented our data collection and used interview guides in order to increase the reliability of the study. The interview guide can be found in *Appendix 4*. However, since the foremost used research method has been qualitative interviewing no interviews followed the exact same structure. Instead, the interviewing was very adaptive and responsive to each individual situation. Therefore, one could never obtain the exact same result in a new similar study. As stressed by Ghauri and Grønhaug (2010), the interpretation of interview data is greatly influenced by the background of the interviewers. In our case, we are both Swedish, male and engineering students with similar backgrounds. Hence, if the study would have been remade by someone else the result would likely be different.

We are both from Sweden, whereas the majority of the interviewees were Chinese natives. This could have affected the research in some ways. Data might have been lost in translation if interviewees were unable to translate their thoughts into English fully without changing the meaning. Ghauri and Grønhaug (2010) state that one can reduce some communication problems by using qualitative data collection methods. With such methods one can change and rephrase questions to suit each interviewee (*ibid.*). We used qualitative research methods and have been very adaptive in our interviewing. We lowered our level of English in all

interviews in order for the interviewees to easier understand the questions and also not to scare them off by too good English. The fact that we are foreigners might also have affected the level of trust among the interviewees. However, both of us have studied abroad in Taiwan for one year and learnt Chinese. In order to build trust we started all interviews with some everyday talking in Chinese. We believe that by showing an interest for the interviewees' language and culture, we gained more trust. Also, as Bryman and Bell (2011) state, being two interviewers contributes to a more relaxed atmosphere giving the interviewee a feeling of sitting in an informal discussion rather than in a formal exchange between two persons.

4. Empirical Findings

In this chapter, the relevant data collected to answer our research questions are presented. It contains nine subchapters. The first two describe Global Company and Local Company respectively. The third, fourth and fifth present the findings on the supplier evaluation process within core purchasing at Local Company. The sixth, seventh and eight present the corresponding process for non-core purchasing. The final subchapter presents Local Company's employees' perceptions of Global Company's guidelines. The findings from the first through the eight subchapter are foremost related to research question 1, while the findings in the ninth subchapter are related to research question 2.

4.1 Global Company

Global Company is an industrial group which was founded in the end of the 19th century and is based in Stockholm. In 2011 it had more than 25 000 employees and operated in more than 150 countries. Global Company is organised into three separate business areas: business area 1, business area 2 and business area 3. The separation into these specific business areas is based on the type of customers and products. The role of a business area is to develop, implement and follow up on the objectives and strategy within Global Company's total scope, which also includes environmental and social performance (Global Company II, 2011).

The three business areas operate through divisions, which are the highest operating units. Each division has its own profit and operational responsibility. Within the scope of its business area, each division develops its own objectives, strategies and structure. The divisions usually perform their businesses through product companies, distribution centres and customer centres. In addition, there are common service providers that provide internal services, enabling the divisions to focus on their core businesses. A product company can produce products for several divisions. Global Company's organisation is highly decentralised, with local purchasing departments, quality departments and engineering departments in the product companies (Global Company II, 2011). The basic structure of Global Company's organisation is visualised in *Figure 1*.

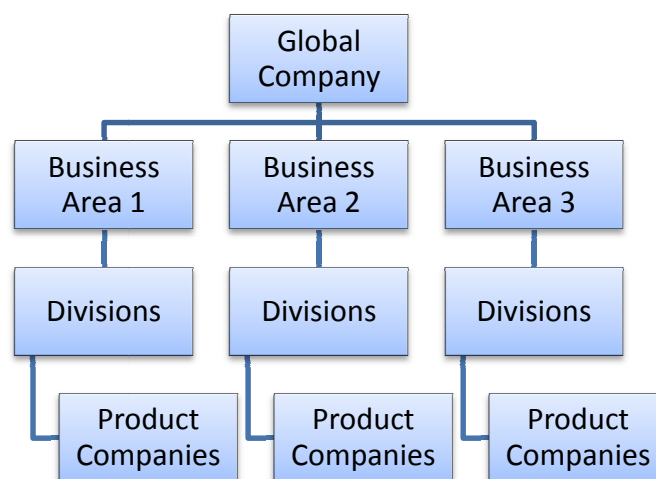


Figure 1: Global Company's organisation with separation into business areas, divisions and product companies. Note that the figure is simplified and excludes distribution centres, customer centres and common service providers (Global Company II, 2011).

4.2 Local Company

The focus of our thesis lies within the product company *Local Company* within business area 1. Local Company, located near Shanghai in China, manufactures parts and products for four of business area 1's divisions, division 1-4, and has operational reporting to these divisions. Local Company was established in 1994 and currently has more than 550 employees (Global Company IX, 2012). As a part of business area 1, Local Company provides products for various industrial usages. The products manufactured at Local Company are mainly distributed to the Chinese market. In addition to Shanghai, business area 1 also has product companies in Belgium, Brazil, India, Germany, Italy and the USA, primarily supplying their local and regional markets respectively. Business area 1's headquarter is located at its largest product company, called *Regional Company*, in Belgium (Global Company II, 2011).

The search for, evaluation and final selection of suppliers at Local Company is mainly managed by two departments: the sourcing department and the quality department. The sourcing department is responsible for the overall management of suppliers, *i.e.* finding them, communicating and negotiating with them. The quality department and its Supplier Quality Assurance Engineers (SQA) are responsible for the assurance of the quality of the suppliers and their products and services.

The sourcing department at Local Company consists of one team for each division, as well as one for non-core purchasing. Each team has a team leader and buyers. Each buyer is responsible for a number of suppliers within a certain commodity group, which can be used by both its own division and the others. The core purchasing team is responsible for the purchasing of products that are directly related to the products manufactured by Local Company, for example engines, frames and pipes to the industrial products. The non-core purchasing team is responsible for the purchasing of products and services that are not directly part of the industrial products manufactured by Local Company. For example manufacturing tools and machinery, personal protection equipment (PPE), plant maintenance service, and IT and office equipment.

Similar to the sourcing department, the quality department is divided into one team for each division. The team for division 2 has a team leader and two SQAs; the team for division 1 does not have a team leader but three SQAs instead. The buyers and SQAs report to their team leaders, and the team leaders report to the sourcing manager and quality manager respectively. SQAs within division 1 report directly to the quality manager. The sourcing manager and quality manager in turn report to the general manager of Local Company. Concerning reporting from the product company Local Company to the divisions it manufactures products for, the general manager reports to one of the divisional presidents – the president from the division accounting for the largest part of Local Company's turnover. The sourcing manager and quality manager report to the responsible for sourcing and quality worldwide, respectively, within the divisions. At the quality department there has been a high turnover of employees during the past few years. Many of the SQAs have been working at Local Company for less than one year. The quality manager has been working there for two years.

The general manager at Local Company is a member of the business area 1 HSE council, consisting of representatives from different company units within business area 1. It comes together once every month to discuss HSE related issues and give directives to the company units within business area 1, mainly focusing on the HSE aspects internally. The general manager at Local Company regards the business area 1 HSE council as the main channel for

HSE related directives and does not expect such directives to come from the divisions. The general manager stated that a general manager has the responsibility to implement Global Company's guidelines within its company unit. The general manager at Local Company has a high level of awareness of how the HSE supplier evaluation practice can bring economic value to Local Company. However, the general manager's current priority is improvements of the HSE aspects internally due to time constraints.

Local Company also has a local HSE council consisting of representatives from different departments. It comes together once every month to discuss HSE related issues, mainly focusing on the internal safety. The local HSE council has no authority to implement actions and changes itself, instead it has a supportive function giving advice to the general manager. It is then up to the general manager whether to adhere to the advice or not. The members of the local HSE council pass relevant information to their departments respectively. One of the members in the local HSE council – the *HSE supervisor* – is fully dedicated to internal safety. This include safety training, and follow up, of all Local Company's employees as well as all external contractors and service personnel working within Local Company's premises. No training on how to evaluate suppliers in HSE aspects is provided by the HSE supervisor. Local Company's organisation as described above is visualised in *Figure 2*.

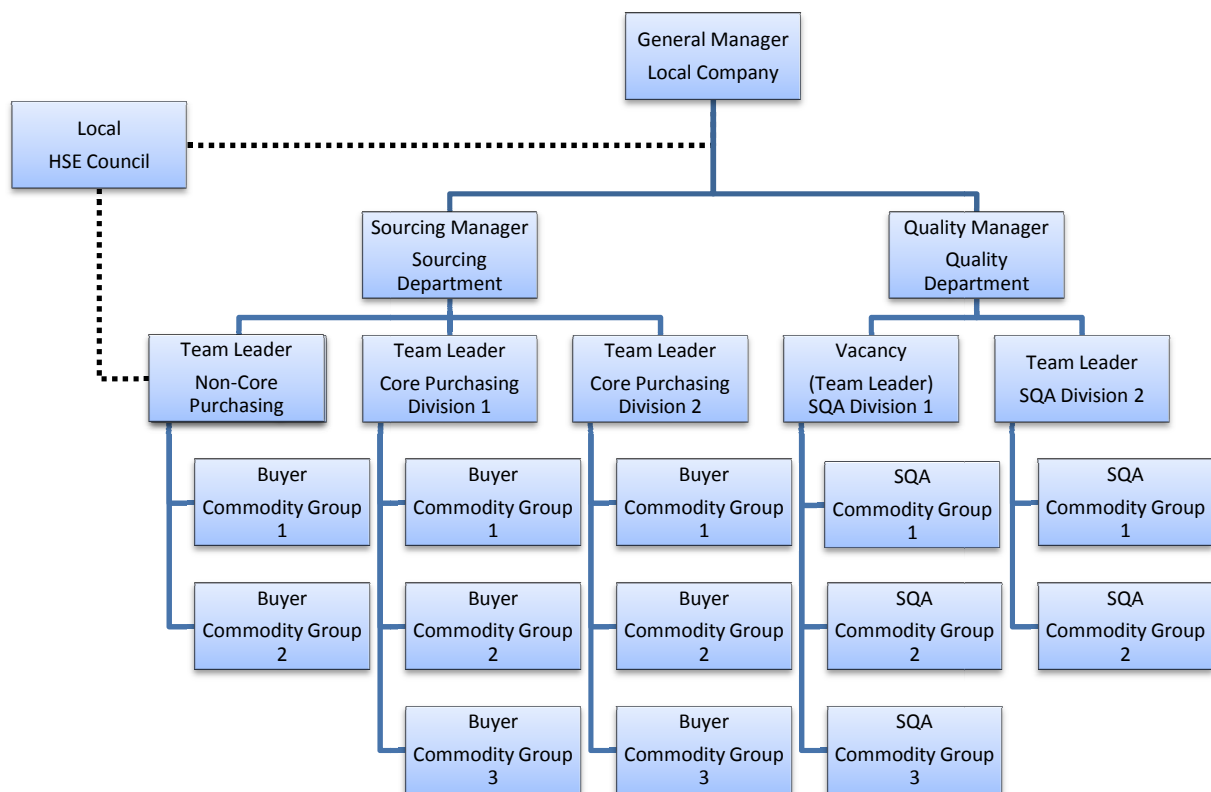


Figure 2: Local Company's organisation with separation into sourcing department and quality department. Each of these departments is further divided into one team for each division, and for the sourcing department also one team for non-core purchasing. Among the buyers and among the SQAs, the responsibility for different suppliers within different commodity groups has been divided between them. The local HSE council, which gives advice to the general manager regarding HSE issues, consists of representatives from different departments. The representative from the sourcing department is the team leader for non-core purchasing, while the quality department does not have any representative. Note that the figure is simplified and excludes division 3 and 4 and other departments at Local Company.

4.3 Core Purchasing Supplier Evaluation Process

All suppliers are evaluated before being used for core purchasing at Local Company. When a new supplier is needed a project team is set up for it. The project team consists of the buyer and the SQA responsible for the commodity group in question, and may also include representatives from the engineering, production, planning and marketing departments. Based on the project team's specifications, the buyer tries to find a suitable supplier. If there are no incumbent suppliers, the buyer reviews potential new suppliers along a five pillar framework, which includes cost, quality, delivery, service and company profile. The buyer creates a shortlist of usually 4-5 potential suppliers. The buyer then visits the shortlisted suppliers for a first assessment and also to present Global Company and Local Company. It is no extensive audit, but the buyer still uses a short checklist that contains open-ended questions. It covers aspects such as capacity, machining, engineering, and 5S (*i.e.* how the workplace is organised) and basic safety aspects. The buyer also takes pictures inside the audited suppliers' workshops.

After the assessment visit, the buyer writes an assessment visit report for the project team. If the buyer finds the potential supplier suitable in relation to the five pillars and the rest of the project team agrees, then the SQA conducts an audit in order to verify the supplier. The SQA schedules an audit. The audit takes between one and two days depending on the size and complexity of the supplier. The audit starts with a meeting between the SQA and managers at the audited supplier. The SQA explains the purpose of the audit and presents Global Company and Local Company briefly. Thereafter, the SQA does a tour in the supplier's workshop.

During the audit the SQA goes through a checklist, which is divided into three parts – A, B and C – and consists of closed questions. Part A covers 5S and quality control; part B covers management, products and processes, and part C covers environment, safety and social key issues. The SQA gets answers to the questions by asking and by observing. Besides a "yes" or a "no" answer, each question also receives a score along a framework depending on the level of "goodness" of "yes." In order to be approved the supplier needs to receive a score of at least 80% on each part. If receiving 70-80% on one or more parts, the supplier gets a conditional and temporary approval; if 60-70%, a postponed approval, and below 60% rejected.

If receiving conditional and temporary approval, the supplier has to address the area in which it received a too low score before becoming approved. The SQA and the supplier together agree on a timeframe and an action plan that is later followed up upon. Meanwhile, the supplier can be ordered from. When the issues have been addressed, the supplier gets back with documents and pictures to verify. If the supplier receives a postponed approval, the actions needed are more extensive. The timeframe is therefore longer and the supplier cannot be used until actions have been taken and verified. In some cases a new audit is needed to get an approval. Rejected suppliers are not considered further. All audited suppliers, including approved suppliers, get feedback on the results of the audits and improvement suggestions.

After the audit the SQA writes an audit report and shares it with the project team. If the supplier is approved or conditionally and temporarily approved, the buyer can proceed and place a sample order to test the quality and technical feasibility of the product. If the product passes the tests, the supplier is officially verified and registered into a database with suppliers that can be ordered from.

The process of evaluating suppliers in HSE aspects has existed at Local Company for the past few years. Not only new suppliers are audited, but also the incumbent ones due to various reasons. All suppliers within core purchasing are audited once every second year. However, some suppliers are audited more frequently due to two reasons: if the quality of the supplier's product or service has been unstable, and if the supplier's product or service is of high importance to Local Company. All three parts of the checklist are used during re-audits of incumbent suppliers.

According to the SQAs there are no complaints from the suppliers about being audited, but instead they are welcoming since they get improvement suggestions for free. The suppliers realise that they get more business opportunities if they develop and meet Global Company's requirements. According to the SQAs they also know that if they do not get audited, they cannot deliver to Global Company. Furthermore, the SQAs said that audits are very common in China and that the suppliers therefore are used to it. This was also confirmed by the suppliers visited.

4.4 HSE Aspects in Core Purchasing Supplier Evaluation Process

As seen in the previous subchapter, the activities of evaluating suppliers at Local Company have been divided between the sourcing department and the quality department. The focuses of their evaluation activities, respectively, are different. The supplier evaluation activities undertaken by the sourcing department are aimed at generating a general picture of suppliers, while the ones conducted by the quality department are aimed at assuring the quality of their products and processes. The incorporation of HSE aspects in the two departments' supplier evaluation activities, respectively, is explained in detail in the following two sections.

4.4.1 The Sourcing Department

During their first three days, all employees at Local Company go through several *new employee trainings*. Among these, about three hours of training relates to safety prescriptions at Local Company. Safety is highly emphasised within the entire business area 1, which launched an internal safety programme a few years ago. This programme has a strong presence at Local Company both in the workshop in terms of use of PPE, safety vests and marked pathways, and in the office areas, in terms of safety related posters.

All managers at Local Company, including the sourcing manager and the quality manager, recently received training in the BCoP. The training included presentation of the BCoP's content, real life cases related to it, and small group discussions on fictitious scenarios of social or ethical dilemmas. After this, the sourcing manager held a similar training for its employees within the sourcing department. All employees at Local Company also get a hardcopy booklet of the BCoP, in Chinese, whenever a new edition is printed.

When starting to work at Local Company, the buyers get a more experienced buyer or a team leader as a mentor, who teaches them the how to evaluate suppliers. The level of mentorship depends on the buyer's previous experience within sourcing. If necessary, the buyers follow the mentor on one or a few supplier assessment visits and take part of old assessment visit reports. They learn how to use the five pillar framework when assessing suppliers. The framework is common for many of Global Company's product companies, and directive about using the framework comes to the sourcing manager from Regional Company in Belgium. There is a checklist available for what to include in this five pillar assessment. This does not include any of the HSE aspects.

All the directives to the team leaders within core purchasing come from the sourcing manager, and therefore the procedures for supplier evaluations within the two divisional teams are the same. The sourcing manager has given directives to everyone within the sourcing department to consider safety issues when visiting suppliers and include it in the assessment visit report. The buyers have not got any detailed guidelines on how to do this, instead they use their experience from Local Company's internal safety programme and common issues within their commodity industries respectively. In most cases this implies looking whether or not the workers in the suppliers' workshops have PPE. Except safety, the team leaders have not given any directives to the buyers to check the suppliers on other HSE aspects.

When the buyers present Global Company and Local Company, they also inform the suppliers that Global Company is a responsible and sustainable company with a good reputation. They tell that Global Company has a code of conduct which the suppliers eventually will have to sign its commitment to in order to become suppliers for Local Company. No training in the BCoP is given to the suppliers, but after a supplier has been verified by a SQA the responsible buyer sends out a letter of commitment which the supplier has to sign and return to the buyer. The buyer collects re-commitments from incumbent suppliers annually. The signed commitment letters are then stored by each buyer. The reason why Local Company collects signed commitment letters is to be able to fulfil Global Company's business partner reporting requirement. The core purchasing teams have letters signed for all their suppliers. The letter used at the sourcing department at Local Company originates from the former sourcing manager and has been in use at least for the past two years. The letter mostly focuses on business ethics, urging suppliers not to give gifts that could be considered as bribes. It also includes a part where Local Company expects the supplier to consider the environmental and social impacts of their operations as well as to adhere to local labour and social laws. There is no awareness in the sourcing department about the existence of Global Company's Ten Criteria Letter. Neither is the general manager aware why Global Company's Ten Criteria Letter is not being used by Local Company.

Besides managing the supplier commitment letters, the buyers also distribute and collect declarations from their suppliers respectively, regarding the content on Global Company's prohibited and restricted lists. This is done once for every supplier, when it is new and has just become verified by a SQA. The declaration templates used are the prohibited and restricted lists provided by Global Company. In case of updates in the lists, no re-declaration is collected by the buyers.

4.4.2 The Quality Department

All employees at the quality department get the same new employee trainings as the employees within the sourcing department. Just as at the sourcing department, the department manager – the quality manager – held a BCoP training for the employees within its department. The quality department is not responsible for collecting and reporting supplier commitments, and the SQAs have got no directives about presenting the BCoP's content to suppliers during audits. However, some SQAs on own initiatives show suppliers the same PowerPoint presentation as the quality manager used for their training.

All SQAs employed at Local Company have a couple of years working experience before they start at Local Company, either within supplier quality assurance or internal quality assurance. There is no standard supplier quality assurance training held at Local Company or any standard directives on how to use Local Company's audit checklist. Some SQAs are

experienced in using similar checklists at their previous jobs. SQAs get a more experienced SQA or SQA team leader as a mentor to follow and learn from. The mentor brings the SQA to a supplier one or a few times and shows the SQA how to conduct a supplier audit, what to look for and how the checklist could be used. Some SQAs also read old audit reports. One SQA stated that it was not told to use the checklist during audits.

Every year, Regional Company arranges a training for SQAs worldwide within business area 1 on how to evaluate suppliers from a quality and HSE perspective. Quality managers at product companies within business area 1 can enlist SQAs from their departments to the two-week training held at Regional Company in Belgium. Within the quality department at Local Company (as it was presented in *Figure 2*), only the quality manager has attended the training. No presentation was held by the quality manager to forward the training to the SQAs at Local Company, and they are not aware of its content.

Local Company's checklist is based on an old checklist from Regional Company and has been in use for at least two years. Regional Company has put in use a new checklist which Local Company also has received. However, the quality manager has decided to continue using the old one. Part C of Local Company's checklist is divided into three sections covering environmental, safety and social key issues respectively. Its questions along with the SQAs' methods of verifying these during audits are presented in *Table 2* below.

Table 2: The questions in part C of Local Company's audit checklist along with the SQAs' methods of verifying these. In the actual checklist there is also a field for the SQA to answer the questions by "yes" or "no" and to add remarks or deviations as well as a score for each question.

Part C of Local Company's checklist		
Section 1	Environmental Key Issues	SQAs' Verification Methods
1.1	Are there any major environmental risks identified in the production process?	Ask to see a list of identified environmental risks in the production process and actions taken to mitigate the risks. It may be a list from ISO 14001 certification, but not necessarily.
1.2	Are there major environmental risks identified in and outside buildings?	Same as the previous, but the list should cover areas other than the production process.
1.3	Do you have Global Company's prohibited and restricted lists? Are you aware if the chemical substances on the prohibited list are used in the company?	Supplier self declaration to Global Company's prohibited and restricted lists. SQAs send the list to suppliers prior to audits.
1.4	Are all dangerous substances labelled and stored safely?	Check how chemicals in the workshop are stored and labelled, if a MSDS exists and precautionary measures are in place.
Section 2	Safety Key Issues	
2.1	Who is responsible for safety issues?	Ask for a name and title of responsible person.
2.2	Have serious safety risks or hazards been identified? Has an action plan been defined?	Ask to see a list of identified safety risks and actions taken to mitigate the risks.

2.3	Is the employees' health endangered by the work processes?	Check for risks in the work processes, if the actual situation corresponds to the list and if there are other risks not covered in the list.
2.4	Is the adequate personal protective equipment such as goggles, glasses, gloves, earplugs, boots and protective clothing available and used properly?	Check for use of PPE. Use safety knowledge from Local Company's internal safety programme as a reference.
Section 3	Social Key Issues	
3.1	Is the minimum salary to employees in compliance with local laws?	Some SQAs ask the general manager or the HR department while others ask the workers themselves how much they earn. Some request to see contracts.
3.2	Are the employees' age in compliance with company policy and local laws? Are the documents supporting age information kept on record?	Request to see employee record stating the name, age, address, starting date and job position.
3.3	Are employment contracts signed with all employees?	Same as the previous, and ask the general manager or the HR department.
3.4	Are the statutory social insurances ensured to all employees?	Ask the general manager or the HR department. Additionally, this is a requirement from the Chinese government.
3.5	Are employees permitted to leave employment after giving reasonable notice? Are production workers required to leave a deposit or their identity papers?	Ask the general manager or the HR department. Additionally, this is a requirement from the Chinese government.

Attached to Local Company's checklist is a table – an *action list* – where the SQAs describe problems they find during the audits, along with the suggested corrective actions and who are responsible for them. However, it occurs that an SQA puts a remark by a question in part C of the checklist without adding it as a suggested action in the action list. For example: recently during an audit, one of the SQAs remarked in the checklist that the workers in the workshop did not use PPE. The SQA told the supplier's manager to improve but did not add it on the action list with the motivation that "it did not affect our product quality." In general, the quality is perceived by the SQAs as being the most important. Moreover, one of the SQAs does not use *Section 3* at all during audits if the supplier is an international company or a stock market-listed Chinese company. The majority of the SQAs send the checklist to the suppliers before the audits so the suppliers can prepare for the audits. They also send the prohibited and restricted lists so that the suppliers are prepared to declare for its content during the audits. There is a general perception at Local Company that the SQAs have a high workload. The quality manager states that it could have use of more SQAs. The quality manager and some of the SQAs show an insight of the benefits that the HSE supplier evaluation could bring Local Company and Global Company.

4.5 Summary Core Purchasing

To summarise, the supplier evaluation process within core purchasing is divided between the buyers within the sourcing department and the SQAs within the quality department. The buyers evaluate suppliers mainly on commercial aspects, and also communicate expectations and collect signed commitment letters from suppliers. The SQAs evaluate suppliers on foremost quality but their audits also cover HSE aspects. The final decision about a supplier is taken by the project team. The supplier evaluation process within core purchasing is visualised in *Figure 3*.

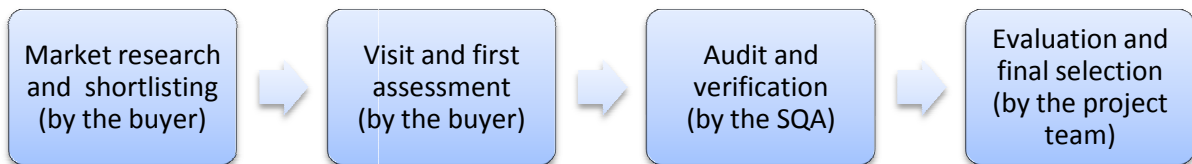


Figure 3: The supplier evaluation process for core purchasing at Local Company. The first two steps are performed by the buyers while the third step is performed by the SQAs. The final step is conducted by the project team.

4.6 Non-Core Purchasing Supplier Evaluation Process

When a need for a product or service occurs within non-core purchasing and cannot be met by the incumbent suppliers, then new suppliers are searched for. The search for new suppliers is often done by using the Internet, exhibitions and by introduction through contacts. Once a potential supplier is found, the buyer contacts the potential supplier for more information. Based on the received information all potential suppliers that are found interesting are then requested for quotation. The potential supplier who submits the best quotation is visited on-site for an assessment.

Non-core purchasing has suppliers of four kinds: construction companies, subcontractors, manufacturing companies, and sales agents. On-site assessment visits are made for suppliers within construction, subcontracting, and manufacturing, but not for suppliers that are only sales agents unless they are of great importance and used for a long term. Sales agents that are of no great importance or that should not be used for a long term are not deemed relevant to visit. There is no checklist used during the assessment visit. Instead the buyer uses its experience as a point of reference. The purpose of the assessment visit is to get a general perception of the company, management and process, and the quality of its products and services. Pictures are taken of the site and after the assessment visit the buyer writes an assessment visit report of its findings. Suggestions on improvements are communicated orally directly to the visited supplier. However, no improvement plan is created.

Based on the findings from the assessment visit a decision is taken whether or not to use the supplier. Depending on the type and scale of a purchase, different persons can be involved in the decision making process together with the buyer. If the visited supplier does not meet the desired standards then another of the suppliers requested for quotation will be visited. When it comes to sales agents they are asked to provide their business approvals from the local government and their sales agent permits instead of being visited. Suggestions given to approved suppliers are not followed up on nor are there any assessment visits done to incumbent suppliers.

4.7 HSE Aspects in Non-Core Purchasing Supplier Evaluation Process

All employees within the non-core purchasing team have received the same new employee trainings and BCoP training as described for core purchasing in *Chapter 4.4.1*. The team has got no training in supplier evaluations at Local Company but the team members have relevant work experience from their previous jobs. They do not use any checklist when conducting assessment visits. Just as the buyers within the core-purchasing team they keep their eyes open for safety issues, mainly focusing on the use of PPE.

During the assessment visits no training or presentation is given to the suppliers concerning BCoP. The team leader has heard about Global Company's e-learning for suppliers but has never used it, and since it is in English it is not applicable for them. The non-core purchasing team collects commitment letters annually from its 25 largest suppliers in terms of the previous year's spending, using the same letter as the core purchasing team. Global Company's prohibited and restricted lists are not used by the non-core purchasing team. Neither does the team recommend suppliers to implement a HSE management system.

The team leader for non-core purchasing is the sourcing department's representative in the local HSE council. It passes information related to sourcing and decisions from the local HSE council to the sourcing manager. The sourcing manager then formulates instructions to the sourcing department if applicable. Every year, managers of suppliers that have workers working within Local Company's premises, are invited to participate in a safety training held by the HSE supervisor. In connection with the safety training, the managers are requested to sign a safety agreement that they have taken part of and commit to the rules at Local Company. The managers of the suppliers are then asked to make sure that their workers adhere to Local Company's rules when working at Local Company's premises. These suppliers, such as within building and machinery maintenance, mainly belong to non-core purchasing.

4.8 Summary Non-Core Purchasing

To summarise, the supplier evaluation process within non-core purchasing is performed by the buyers within the sourcing department's non-core purchasing team. The buyers focus on commercial aspects. Other people may be involved in the decision making process depending on the type and scale of a purchase. The most generic supplier evaluation process within non-core purchasing can be seen in *Figure 4* below.

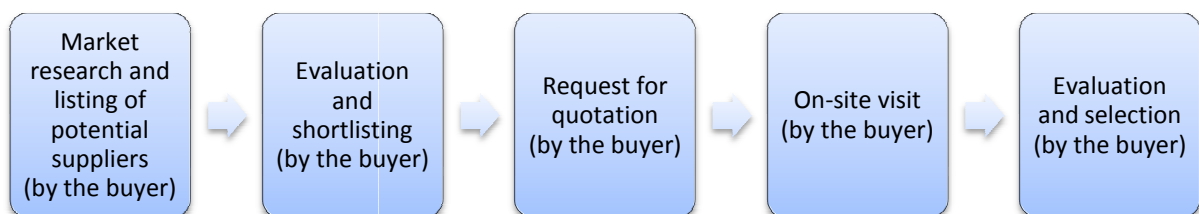


Figure 4: The most generic supplier evaluation process for non-core purchasing at Local Company. The buyers perform all steps and may also include other persons in the process depending on the type and scale of the purchases.

4.9 Perceptions of Global Company's Guidelines

Global Company's guidelines on the HSE supplier evaluation practice are available to all employees, worldwide, in Global Company's internal database. It is every employee's own responsibility to be aware of the content of the guidelines. None of the employees at Local

Company that were interviewed were aware of what Global Company's guidelines on HSE supplier evaluations exactly state. Some of the interviewees said that they have not read the guidelines that are published in the internal database. Instead, they have heard about certain parts of them from various channels, such as from persons on divisional and corporate levels and from other employees at Local Company. The sourcing manager and quality manager are both aware that they are responsible for parts of the HSE supplier evaluation practice. The sourcing manager knows it is responsible for the collection of commitments from suppliers and the quality manager knows it is responsible to evaluate suppliers on HSE aspects. All guidelines have been developed and formulated on a corporate level and Local Company has never been asked to give any feedback on them. No employee at Local Company has heard about Global Company's Ten Criteria Letter. The quality department has received a new and more detailed checklist from Regional Company. It was not adopted since it was considered by the quality manager to be too detailed and impractical to use. In the guidelines, the BCoP appears as a means to communicate towards suppliers. However, all interviewees at Local Company perceive the BCoP as a document for internal use only. Furthermore, many of them find it difficult to understand what the BCoP actually says.

5. Analysis and Discussion

In this chapter the empirical findings from the previous chapter are analysed and discussed in order to answer the research questions. The analysis is structured into two subchapters, one for each research question.

5.1 Research Question 1

This subchapter aims to answer research question 1:

1. *What are the current deviations of the HSE supplier evaluation process at Local Company from Global Company's guidelines?*

The research question will be answered by analysing and discussing the empirical findings in relation to Global Company's guidelines on HSE supplier evaluations as presented in *Chapter 2.1*. The sections in this subchapter will therefore follow the same structure as *Chapter 2.1*.

5.1.1 Deviations regarding Roles and Responsibilities

The implication of Global Company's guidelines on roles and responsibilities is that HSE supplier evaluations should be carried out by all procurement functions within Global Company. Since HSE aspects are incorporated in the current supplier evaluations at Local Company – mostly for core suppliers but to some extent also for non-core suppliers – these guidelines are followed to some extent. However, how well Local Company's HSE supplier evaluations of core and non-core suppliers, respectively, fulfil Global Company's guidelines will be dealt with later on in the analysis.

As was stated in *Chapter 2.1.1*, it is the responsibility of general managers and department managers to make sure that Global Company's guidelines are being adhered to within their instances. In our case, this implies that the general manager should ensure that the guidelines are implemented at Local Company. The sourcing manager and quality manager should then ensure that it is being done within the sourcing and quality departments respectively. The general manager stated that it had the responsibility to implement all Global Company's guidelines in Local Company. However, since there are deviations in the HSE supplier evaluation process at Local Company from Global Company's guidelines, the general manager does not fully ensure implementation of the HSE supplier evaluation practice along the guidelines. For example, the general manager did not know why the sourcing department at Local Company uses another commitment letter than Global Company's Ten Criteria Letter. Hence, the general manager's role at Local Company deviates from the guidelines.

The quality manager has not arranged any training in the HSE supplier evaluation practice for the quality department, but relies on mentors to practically teach new SQAs how to evaluate suppliers. Hence, the quality manager does not ensure implementation of the HSE supplier evaluation practice within its instance along the guidelines, as associated with its role. This is also valid for the sourcing manager since the sourcing manager has not implemented Global Company's Ten Criteria Letter within the sourcing department. Hence, neither the quality manager nor the sourcing manager ensures implementation of the HSE supplier evaluation practice within their instances according to the guidelines. Therefore there is a deviation from Global Company's guidelines on roles and responsibilities within the HSE supplier evaluation practice.

5.1.2 Deviations regarding Training

Global Company's guidelines on HSE supplier evaluations state that all employees involved in supplier evaluations should have adequate training in the HSE supplier evaluation practice. All employees within both the sourcing and quality departments have got theoretical on-the-job trainings provided by Global Company in various areas, including safety and the BCoP. However, these trainings are not directly linked to HSE supplier evaluations. Training directly linked to supplier evaluations is instead given practically in the form of mentorship. What is taught is based on the practical experience of each mentor. Since the mentors at Local Company do not cover all HSE aspects in their supplier evaluations (as will be seen later), there is no guarantee that these mentorships cover the HSE aspects. Only one employee within Local Company's organisation (as it was presented in *Figure 2*) has received theoretical training in the HSE supplier evaluation practice. Since there is a lack of HSE supplier evaluation training for employees involved in supplier evaluations within Local Company, there is a deviation from Global Company's guidelines on training.

5.1.3 Deviations regarding Procedure

In the guidelines about the procedure for the HSE supplier evaluation practice, Global Company states that one should start by communicating Global Company's expectations on suppliers to them and collect their commitments to these by using the Ten Criteria Letter. Then, a risk assessment should be done and if deemed necessary, an in-depth evaluation, *i.e.* an audit, of the supplier should be carried out. Local Company's procedure for HSE supplier evaluations, for both core purchasing and non-core purchasing, deviates from these guidelines significantly.

When visiting new suppliers for the first time, the buyers within core purchasing inform the potential suppliers that they eventually will have to sign their commitments to Global Company's BCoP. However, since the buyers do not explain or train the suppliers in the BCoP's content, and since the commitment letter eventually used by the buyers does not cover the ten criteria (which will be analysed further in *Chapter 5.1.4*), Global Company's expectations on suppliers have actually not been fully communicated by the core purchasing teams to their suppliers. Further, instead of being done up-front, the collection of signed commitment letters is made for suppliers within core purchasing at the very end of the evaluation process. That is, once a supplier has been audited, approved, verified, and finally selected.

Concerning non-core purchasing, the communication of the same letter and collection of commitments to it, is made only for its 25 largest suppliers in terms of the previous year's spending. Therefore, the deviations here are that the non-core purchasing team does not collect commitments from all its suppliers. Furthermore, just as for the core purchasing teams, the non-core purchasing team does not communicate Global Company's actual expectations to suppliers due to the use of Local Company's own commitment letter.

The core purchasing teams at Local Company do not conduct any risk assessments of their suppliers. HSE aspects are integrated in the SQAs' audits, which are done for all new core suppliers. Therefore, all suppliers within core purchasing get audited on HSE aspects before being approved as suppliers. Hence, within core purchasing, this part of the procedure for HSE supplier evaluations deviates from Global Company's guidelines. The audits made by the SQAs do not fully cover the ten criteria due to the use of an insufficient checklist, which will be analysed further in *Chapter 5.1.4*.

Regarding non-core purchasing, all new suppliers except sales agents are visited for assessment. However, as stated in the empirical findings this depends on the relevance attributed to the supplier and is incomparable to the risk assessment in Global Company's guidelines for the procedure of HSE supplier evaluations. Therefore, also within non-core purchasing, this part of the procedure for HSE supplier evaluations deviates from Global Company's guidelines. Suppliers within non-core purchasing are never audited.

According to Global Company's guidelines on the HSE supplier evaluation procedure, a record should be kept over all supplier evaluations that are conducted. This is done within core purchasing at Local Company through both the buyers' assessment visit reports and the SQAs audit reports. Also the non-core purchasing team does this by writing assessment visit reports. Since Global Company's guidelines do not state what this record should include, we argue that this step in the procedure is being followed for suppliers within both core and non-core purchasing at Local Company, *i.e.* no deviation.

Finally, Global Company expects its company units to encourage suppliers to develop their businesses in line with the ten criteria, and if necessary recommend them to implement a HSE management system. Since SQAs develop action lists together with suppliers when auditing them, the suppliers are being encouraged to develop their businesses in aspects covered by the checklist. However, since the checklist used by the SQAs at Local Company does not fully cover the ten criteria (which will be analysed further in *Chapter 5.1.4*), nor all requirements of a HSE management system, there is a deviation from Global Company's guideline.

The non-core purchasing team only help some suppliers develop – suppliers who have personnel working at Local Company's premises – with assistance from the HSE supervisor, and then only in safety issues. Therefore, since the non-core purchasing team only encourages some suppliers to develop and only focuses on safety aspects, there is a deviation from the guidelines.

5.1.4 Deviations regarding Tools and Use of Them

As stated in the empirical findings, Global Company's Ten Criteria Letter is not used at Local Company to collect commitments to the BCoP from suppliers. Whereas Global Company's Ten Criteria Letter is relatively concrete and has a practical implication for suppliers regarding what is expected from them, the commitment letter used by Local Company is very unspecific. Local Company's commitment letter only includes two clear expectations on the suppliers: not to be involved in bribery and to comply with local labour and social laws. It thereby falls short on a number of criteria and does not fully communicate Global Company's minimum expectations on suppliers.

An audit checklist should, according to Global Company's guidelines, cover the ten criteria. Global Company provides an example of such a checklist that could be used by its company units when doing audits. Compared to this, part C of Local Company's checklist, on environmental, safety and social "key" issues, used by the SQAs is less extensive. It does not cover all of the mandatory ten criteria. When comparing part C of Local Company's checklist with the ten criteria (which is reproduced in *Appendix 1*), we see that criteria 1) *support and respect human rights*, 2) *elimination of all forms of forced and compulsory labour*, 3) *rejection of child labour*, 5) *safe and healthy working environment, factory conditions and housing*, 8) *initiatives to promote greater environmental responsibility*, 9) *a precautionary approach to environmental challenges and the development and diffusion of environmental*

friendly technologies, and 10) *compliance with Global Company's prohibited and restricted lists*, all are addressed to some extent. However, criteria 4) *elimination of discrimination with respect to employment and occupation*, 6) *integrity*, and 7) *freedom of association and the effective recognition of the right to collective bargaining*, are all unaddressed. Also, for the seven criteria that are addressed, the questions in part C are very broad. The questions do not cover all aspects of these criteria. When comparing the SQAs verification methods with the level of detail of the questions in the checklist provided by Global Company, we find that Local Company's checklist is clearly deficient. The prohibited and restricted lists that are used by the buyers and SQAs at Local Company are the ones provided by Global Company. Since the non-core purchasing team does not do audits but mere assessment visits, it does not use any checklist at all. Neither does it use the prohibited and restricted lists.

As stated in *Chapter 2.1.4*, Global Company also provides a printed BCoP booklet and an e-learning that can be used to communicate Global Company's code of conduct to suppliers and train them in the HSE aspects and Global Company's expectations on suppliers regarding them, respectively. Neither the buyers within core and non-core purchasing, nor the SQAs, use the BCoP booklet to communicate Global Company's code of conduct to suppliers. It is only used at Local Company to communicate the code of conduct to Local Company's employees internally. The e-learning is not used either, partly since the employees at Local Company are unaware of it, and partly because it is available in English only.

5.1.5 Deviations regarding Supplier Commitment Reporting

According to Global Company's guidelines, all product companies such as Local Company should report annually on the number of significant suppliers committed to Global Company's minimum expectations on suppliers. The core purchasing teams at Local Company have commitment letters signed from all their suppliers. However, by the non-core purchasing team, commitments letters are only being collected from the 25 largest suppliers based on the previous year's spending. Global Company's definition of significant suppliers – to include suppliers of non-core material or services from case to case – is somewhat vague, but considering that the non-core purchasing team at Local Company collects letters from its major suppliers, we argue that Local Company, as a whole, fulfils Global Company's requirement on product companies to report commitments from all significant suppliers. However, as stated in *Chapter 5.1.4*, the commitment letter currently used by Local Company does not fully communicate the minimum expectations on suppliers. Hence, the commitments reported by Local Company are not the commitments requested by Global Company. This implies that even though the core purchasing teams are reporting commitments from 100% of their suppliers, they actually do not follow Global Company's guidelines regarding supplier reporting.

5.1.6 Summary of Deviations

In *Table 3* below is a summary of the deviations identified at Local Company from Global Company's guidelines.

Table 3: Summary of the deviations identified at Local Company from Global Company's guidelines.

Guidelines	Deviations
Roles and responsibilities	Responsibilities are not fully taken. Supplier evaluations are conducted, but not entirely along the guidelines.
Training	Employees at Local Company lack adequate training in the HSE supplier evaluation practice. The training programme provided by Global Company is not fully utilised. Mentorships are used instead.
Procedure	Partially different procedure. No risk assessments are conducted. All suppliers within core-purchasing are audited. No suppliers within non-core purchasing are audited. Commitment letters are collected for all significant suppliers, but it is done in the end of the supplier evaluation process instead of up-front. Only core-suppliers get help to develop and only in some aspects. All supplier evaluations are documented and kept on record.
Tools	Wrong tools used. Instead of Global Company's Ten Criteria Letter and audit checklist, another – and clearly deficient – commitment letter and audit checklist are used. They do not fully cover the ten criteria. The BCoP is only used internally and the e-learning is unused towards suppliers.
Supplier commitment reporting	Wrong commitments are reported due to use of wrong commitment letter. Commitments are reported for all significant suppliers but a local and clearly deficient commitment letter is used instead of the Ten Criteria Letter.

5.2 Research Question 2

This subchapter of the analysis aims to answer research question 2:

2. *What are the perceived reasons why the current HSE supplier evaluation process at Local Company deviates from Global Company's guidelines?*

The question will be answered by analysing the empirical findings along the second part of the theoretical framework.

5.2.1 Inadequately Designed Guidelines

As seen in the theoretical framework, van der Heijden *et al.* (2010) argue that managers can become unable to act when it comes to implementation of CSR practices due to a lack of or too much and contradictory information causing uncertainty and ambiguity. Global

Company's guidelines on the HSE supplier evaluation practice are, according to us, vague and inconsistent. Even if the guidelines are available to everyone, it is unclear whether they are only recommendations or are to be followed strictly. Furthermore, it is unclear to whom they apply since the instructions about this are vague and contradictory. Additionally, the phrasings of the guidelines are often unclear and confusing, especially concerning the BCoP. Finally, besides Global Company guidelines, Local Company also receives different information regarding the HSE supplier evaluation practice from Regional Company. This fact, that information come from various channels, also contributes to the inconsistency in information. We argue that all these factors create uncertainty and ambiguity for managers and employees at Local Company that seek assistance in the guidelines. Thus, the inadequate design of the guidelines contributes to Local Company's deviation from them.

5.2.2 Lack of Local Involvement in the Formulation of the Guidelines

Policy deployment, as described by Bergman and Klefsjö (2010), deals with getting visions and goals implemented into the daily work throughout an organisation. Bergman and Klefsjö state that the setting of goals should be a top-down and bottom-up process in order to succeed with policy deployment. As presented in the empirical findings, Local Company has not participated in setting the goals, in terms of scope and applicability of the guidelines. That is, to whom they should apply and how they should be followed. The employees within the sourcing and quality departments at Local Company have neither taken part in the creation of the guidelines for the HSE supplier evaluation practice, nor have they been asked to give feedback on them. We do not know whether or not other subsidiaries of Global Company have been involved in the development of the guidelines. However, if seen to Global Company and Local Company only, the setting of goals and the formulation of guidelines has been a top-down process only. Since there has been no bottom-up approach when creating the guidelines, there has been little consideration to "how" Local Company works when developing the guidelines. We have seen this reflected at Local Company in the personnel's difficulty to relate parts of the guidelines to their work. Thus, we believe that a lack of a bottom-up approach when formulating the guidelines is a contributing factor to Local Company's deviations from the guidelines.

There are other ways in which low involvement might contribute to Local Company's deviations from Global Company's guidelines. Muller (2006) states that use of corporate CSR guidelines can cause a lack of ownership feeling at local level. Rubenowitz (2008) emphasises how ownership feeling, generated by involvement in setting goals and planning, can increase motivation in one's work. In our case this could imply that the lack of involvement by Local Company in the setting of the guidelines could cause low motivation among employees to work with them. However, we do not have any data supporting this.

5.2.3 Lack of Consistency in Process Ownership

According to Bergman and Klefsjö (2010) it is important to have a process owner in order to ensure improvements of a process. The HSE supplier evaluation process at Local Company has existed for some time but still not developed to fully meet Global Company's guidelines. A possible reason why it has not developed to fully meet the guidelines might, in line with Bergman and Klefsjö's theory, be the lack of a process owner. However, process owners exist at Local Company in terms of the sourcing manager and the quality manager who are responsible for different parts of the HSE supplier evaluation process. Moreover, both the sourcing manager and the quality manager are aware that they are responsible for the process. Consequently, the lack of a process owner ought not to be a likely reason for the deviation

between the HSE supplier evaluations at Local Company and Global Company's guidelines. However, during the past few years there has been high employee turnover within the quality department, including the quality manager who has been there for only two years. Hence, we find it plausible that this lack of consistency of process owner might have affected the level of improvements made in the process. With a high employee turnover, knowledge and experience will exit the company. Conversely, it is also plausible that new employees can bring new ideas, motivation and experience to the workplace. Thus, a high employee turnover might not necessarily be solely negative.

5.2.4 Lack of Communication of the Guidelines

Even if the sourcing manager and quality manager are aware that they have the responsibility of the HSE supplier evaluation process, they are both unaware of what Global Company exactly expects from them. They do not know exactly what should be done and what is applicable to them. They are clearly unaware of the guidelines' content. This indicates that the guidelines have not been thoroughly communicated to Local Company. We believe this is a contributing reason to the deviations of Local Company's practice from Global Company's guidelines in HSE supplier evaluations.

5.2.5 Willingness to Work with CSR

Hemingway and MacLagan (2004) argue that personal values are an important driver for CSR initiatives in companies. They stated that individual managers may change or initiate projects to address personal moral concerns. As a consequence, this could imply that if individual managers do not support the values of the organisation, there is chance that they are less willing to work with the company's CSR initiatives. According to this, a lack of personal values among managers at Local Company could be a contributing reason for Local Company's deviations from Global Company's guidelines. However, all interviewees indicated that they share the same values as Global Company. Hence, this should not be a reason for the deviations. Nevertheless, as emphasised by Hemmingway and MacLagan, it is difficult to determine whether a value actually is personal or organisational. Therefore, it is difficult to judge whether the employees at Local Company genuinely share Global Company's values or are just reciting them. As stated in the empirical findings, the employees at Local Company have learnt Global Company's values through the BCoP training. If they did not already share similar values since before, it is plausible that they then adopted them. However it is impossible to exclude the possibility of employees only reciting what they have learnt without actually sharing the values themselves. How personal values at Local Company are linked with the deviations from the guidelines is therefore very difficult to determine.

A possible explanation why the quality manager does not want to use the detailed audit checklist provided by Global Company is that the quality manager believes it is counterproductive in line with Boyd *et al.*'s (2007) claim on too extensive monitoring of suppliers. However, the SQAs stated that they are, in fact, welcomed by suppliers when doing audits. In addition, the interviewed supplier confirmed that CSR monitoring is a common praxis in China and that it is necessary in order to be awarded a business. According to the SQAs, the suppliers receive free suggestions for improvements that can lead to new business opportunities for them. Since the SQAs shared this opinion it is unlikely that the fear of too extensive monitoring is a reason why Local Company does not use Global Company's extensive checklist.

As seen in *Chapter 5.1.4*, part C of Local Company's checklist leaves three of Global Company's ten criteria unaddressed: criteria 4) *elimination of discrimination with respect to employment and occupation*, 6) *integrity*, and 7) *freedom of association and the effective recognition of the right to collective bargaining*. As seen in *Chapter 3.4*, workers are denied rights to organise independent labour unions in China. Only party-controlled labour unions are allowed. Hence, criteria 7) *freedom of association and the effective recognition of the right to collective bargaining* might be a sensitive issue to address in China. The sensitivity of the topic could thus be a reason why Local Company has not covered the area in part C of its checklist. Sensitivity of the issue could possibly also be the reason why criteria 4) *elimination of discrimination with respect to employment and occupation* is unaddressed. However, we do not have any data supporting either case. Concerning criteria 6) *integrity*, we do not believe sensitivity of the topic is the reason behind the absence from the checklist. This, since the issue is being addressed in Local Company's currently used commitment letter. Instead, a possible reason for its absence in the checklist could be the difficulty of checking related issues. For instance, it could be difficult to check whether a supplier has entered agreements with competitors about pricing or market sharing during audits. However, we have no data confirming this and cannot say whether or not it is the reason to the criteria's absence from the checklist.

5.2.6 Low Prioritisation of the HSE Supplier Evaluation Practice

Welford and Frost (2006) indicate that a reason why CSR issues are not being satisfactorily fulfilled is that they are seldom a high priority area in companies. As presented in the empirical findings, this is also the case at Local Company. Neither the general manager, the sourcing manager and quality manager, nor the buyers and SQAs, have the HSE supplier evaluation practice as a high priority. Even if the general manager was well aware of the importance of these issues the general manager did not prioritise HSE supplier evaluations due to time constraints. Since Local Company does not have a dedicated CSR department, no one focuses solely on the HSE supplier evaluations and has them as a priority. The sourcing department prioritises the evaluation of suppliers on commercial aspects, just as described by Welford and Frost as being the normal case for a sourcing department. The quality department, which currently has the main role in the HSE supplier evaluations, prioritises product quality when evaluating suppliers. Even though Local Company has a system in place to evaluate suppliers on HSE aspects, there is a perceived lack of resources to be able to work with it more thoroughly than it is being done today. Both the quality manager and some SQAs emphasised the lack of resources as being a reason why they do not work with HSE supplier evaluations more than they do today. We therefore argue that a reason why the current HSE supplier evaluations at Local Company deviated from Global Company's guidelines is the, in general, low priority of the issues throughout the organisation.

5.2.7 Low Awareness of the Benefits of the HSE Supplier Evaluation Practice

Welford and Frost (2006) have identified that a lack of understanding among the employees of why a company should engage in CSR initiatives might be an obstacle for implementing them. As presented in the empirical findings, the perceptions among the employees at Local Company on why Global Company should engage in the HSE supplier evaluation practice vary. Some interviewees, including the general manager, sourcing manager and quality manager, showed awareness of the motives and benefits of engaging in the HSE supplier evaluation practice. They realised that it can strengthen and safeguard Global Company's reputation and brand value, and that it can improve suppliers' performances. Other interviewees showed lower awareness for the value of the practice. Most deviations from the

guidelines that we have identified are on an organisational level, for example the use of insufficient tools and the lack of training. Since some of the employees in fact were aware of the benefits of the HSE supplier evaluation practice, a lack of awareness among some of them cannot explain these deviations. Especially, since the managers – who according to Global Company's guidelines are responsible for the implementation of the HSE supplier evaluation practice – showed awareness of its benefits. The employees that showed a lack of awareness of the benefits of the HSE supplier evaluation practice, were also the SQAs that did not use Local Company's checklist as thoroughly as the rest. Hence we find it plausible that a contributing reason for these individuals' deviations from Local Company's normal HSE supplier evaluation practice is their lack of awareness of its benefits.

5.3 Diffusion of Innovation and Organisational Change

According to Rogers' (2003) definition of an innovation the HSE supplier evaluation practice can be regarded as one (Sahin, 2006). In this subchapter, we therefore discuss whether the current deviations are related to any potential shortcomings in characteristics of the innovation itself or in the diffusion process of it. According to Rogers (1995) there are five attributes of an innovation that affect the rate of adoption of it (Lindmark, 2006). Concerning the relative advantage, Global Company's guidelines do not bring any advantage compared to the existing working methods in terms of workload for Local Company. Instead, the HSE supplier evaluation practice only constitutes additional work. Hence, one can argue that the HSE supplier evaluation practice brings no or little relative advantage to the employees at Local Company. If one was to exclude the HSE supplier evaluation practice from the overall evaluation of supplier there is still a number of steps that would be performed similarly. The suppliers would still be visited and audited by buyers and SQAs. Expectations on quality would still be communicated. Suppliers would still be encouraged to develop. Hence, the HSE supplier evaluation practice is rather compatible with the other processes of evaluating suppliers. As stated in *Chapter 4.9* the guidelines are vague and inconsistent making the HSE supplier evaluation practice difficult to understand and apply. Thus, it has a rather high level of complexity. Concerning trialability and observability these are both deemed to be relatively high. This, since it is easy to try out and experiment with the HSE supplier evaluation practice and easy for others to observe it. In summary, the HSE supplier evaluation practice does not really possess all five attributes that according to Rogers would enable the adoption it.

Global Company expects every employee to be aware of what the guidelines say and to follow them. However, since the awareness of the content of the guidelines is generally low and deviations from the guidelines are numerous, we question whether this method of diffusion is really appropriate. Regardless whether one chooses to see the HSE supplier evaluation practice as an innovation or as an organisational change initiative, one can make advantageous use of a change agent in diffusing and gaining acceptance for it. Armenakis *et al.* (1993), van der Heijden *et al.* (2010) and Sahin (2006) emphasise the role a change agent can have in helping an organisation to adopt an innovation or a new practice. Armenakis *et al.* argue that there are three tactics, or ways of communicating, that a change agent can use in order to influence the organisation to implement a change. We believe that all these three ways of communicating would be appropriate for Global Company to use, in addition to the passive communication it currently uses by means of the internal database. Through persuasive communication a change agent can increase the awareness and sense of urgency as well as lower the perceived level of complexity of the HSE supplier evaluation practice. Also Kotter (2007) describes a lack of such communication as a common reason why companies fail in their efforts of changing the organisation. By using external information, the change

agent can also establish a sense of seriousness of the issue, highlight the benefits of working with CSR in supply chains and add credibility. Finally, by arranging workshops with active participation a change can create involvement and translate the general corporate practice to fit the local language and context. Ramani *et al.* (2011) state that the change agent must be a person who the recipients can relate to. Armenakis *et al.* (1993) say that it must be someone coming from within the organisation with good reputation, credibility, trustworthiness, sincerity and expertise within the relevant field. This could imply that the change agent must have insight about the local aspects in China, or even come from within the local culture or the local organisation, to have an impact. Thus, a person coming from corporate level or from the Regional Company in Europe might not be an appropriate change agent.

Furthermore, to induce the behavioural changes and facilitate adoption of a new way of working among employees, it is important to provide appropriate training and resources necessary for adopting it (Asif *et al.*, 2011; Kim & Kankanhalli, 2009; Ramani *et al.*, 2011). We have identified a lack of training in the HSE supplier evaluation practice, and a lack of knowledge about how to apply the guidelines, as well as a perceived lack of resources at the quality department. Not only can a lack of training and knowledge hinder the adoption of new practices in an organisation due to a lack of knowledge *per se*, but it can also make organisational members unwilling to adopt it as described by Kotter and Schlesinger (2008). Therefore, we argue that addressing the current lack of training and resources is highly relevant for Local Company in order to promote the adoption of the HSE supplier evaluation practice.

6. Conclusions

This chapter contains the conclusions of this study. It is divided into two subchapters, one for each research question. The conclusions can also be found as easy-to-overview bullet points in *Appendix 5*.

6.1 Research Question 1

Below is a concise answer to research question 1:

1. *What are the current deviations of the HSE supplier evaluation process at Local Company from Global Company's guidelines?*

We have found deviations of the HSE supplier evaluation process at Local Company within all five areas of Global Company's guidelines. Concerning roles and responsibilities, the general manager, sourcing manager and quality manager do not fully ensure implementation of HSE supplier evaluations within their instances along Global Company's guidelines. Concerning training, there is a deviation from Global Company's guidelines since there is a lack of HSE supplier evaluation training for employees involved in supplier evaluations within Local Company. Concerning the procedure, Global Company's expectations on suppliers are not being fully communicated to Local Company's suppliers. Furthermore, within non-core purchasing, commitments are only being collected for some suppliers. The commitments collected by the core and non-core purchasing teams do not reflect the commitments expected by Global Company. Moreover, risk assessments are being done for neither core nor non-core purchasing. Regarding audits, these do not cover the ten criteria and suppliers to non-core purchasing are never audited. Suppliers are not being encouraged to develop their businesses completely along the ten criteria. Finally, suppliers are not being recommended to implement a HSE management system fully along Global Company's requirements on a HSE management system. Concerning tools, the commitment letter used at Local Company does not cover the ten criteria. Nor does the checklist used by SQAs when auditing core suppliers. Non-core suppliers are never audited, and therefore the non-core purchasing team does not use any checklist. Furthermore, the prohibited and restricted lists are not used at all towards non-core suppliers. The BCoP booklet is not used towards suppliers (neither core nor non-core). The e-learning is not used towards suppliers (neither core nor non-core). With respect to commitment reporting, commitments are collected and reported for all significant suppliers at Local Company annually. However, the commitments collected and reported do not reflect the commitments expected by Global Company.

6.2 Research Question 2

Below is a concise answer to research question 2:

2. *What are the perceived reasons why the current HSE supplier evaluation process at Local Company deviates from Global Company's guidelines?*

We have found six reasons contributing to the deviations of Local Company's HSE supplier evaluation process from Global Company's guidelines. These are: (1) inadequately designed guidelines, (2) a lack of local involvement in the formulation of the guidelines, (3) a lack of consistency in process ownership, (4) a lack of communication of the guidelines, (5) a low prioritisation of the HSE supplier evaluation practice and (6) a low awareness of the benefits of the HSE supplier evaluation practice.

The guidelines issued by Global Company are vague and inconsistent. Even if the guidelines are available to all employees at Local Company, it is unclear to many employees whether they are just recommendations or are to be followed strictly. Furthermore, it is unclear to whom they apply. Local Company has not participated in the formulation of the guidelines which may cause difficulties for some employees to relate them to their work. The high turnover of employees within the quality department, including the quality manager position, might result in weak prerequisites for the HSE supplier evaluation process to improve, for example due to a lack of consistency of process owner. This does not lead to any deviation *per se*, but might hinder improvements towards decreased deviation from the guidelines. Since the employees at Local Company are unaware of what the guidelines actually say, there is an indication that the guidelines have not been thoroughly communicated to the employees. There is a low prioritisation of the HSE supplier evaluation practice at Local Company since the employees at Local Company perform it in parallel to their other work tasks. There is also a perception that there currently is a lack of resources to work with the HSE supplier evaluation practice more extensively than what is being done today. Some employees at Local Company showed more deviations from the guidelines than the others. These employees also showed a somewhat lower awareness of the benefits for Global Company of working with the HSE supplier evaluation practice. This is believed to be a contributing factor behind these individuals' deviations from the guidelines.

7. Recommendations

This chapter presents our recommendations to Local Company and Global Company. It is divided into two subchapters, one for the recommendations to Local Company and another for the recommendations to Global Company.

7.1 Recommendations to Local Company

- We recommend Local Company to adopt Global Company's Ten Criteria Letter. The Ten Criteria Letter is more concrete, with more practical implications for suppliers, than the currently used commitment letter. By changing to the Ten Criteria Letter, the validity of the reporting of supplier commitments will also increase. This is a very easy change since the Ten Criteria Letter is now available in Chinese translation. Hence, we recommend Local Company to implement this change immediately.
- Also, we suggest that the Ten Criteria Letter should be used consistently instead of the BCoP concerning communication of Global Company's expectations on suppliers to suppliers. This, since the Ten Criteria Letter is a concretisation of the BCoP. It was developed specifically towards suppliers and is simpler for suppliers to understand than the BCoP.
- In order to meet Global Company's guidelines on training we recommend Local Company to arrange a formal training for SQAs and buyers in the HSE supplier evaluation practice.
- We recommend Local Company to use a checklist that covers all Global Company's ten criteria. Local Company can either adopt the checklist provided by Global Company or review the currently used audit checklist and expand it. Then, questions regarding criteria 4, 6 and 7 must be added from scratch, and the current questions for the other criteria must be complimented in order to fully cover Global Company's ten criteria.

7.2 Recommendations to Global Company

- In order to decrease the uncertainty and ambiguity caused by the guidelines, we suggest that they should be revised and rephrased. Global Company should consistently use the Ten Criteria Letter instead of the BCoP when dealing with expectations on suppliers in the guidelines. Furthermore, the guidelines should also more clearly state when they are applicable, for which of Global Company's company units and for what suppliers.
- Furthermore, when revising the guidelines, we recommend Global Company to involve end-users of the guidelines in the process. End-users should be asked for feedback in order to make the guidelines more appropriate for them. This would also function as a smart way of communicating the guidelines to the end-user.
- We recommend Global Company to ensure that the responsible for the HSE supplier evaluations at Local Company are aware of their responsibilities. To do this, Global Company should not entirely entrust the internal database as a means of

communication, since the employees at Local Company do not read this information actively. Furthermore, as concluded earlier, the information currently in the internal database is a source of uncertainty and ambiguity. Instead, we suggest that other means of communication should be considered. For instance, persuasive communication, management of external information and active participation as described in *Chapter 2.3*.

- Since the HSE supplier evaluation practice currently has a low prioritisation at Local Company, we suggest Global Company to investigate the level of prioritisation the HSE supplier evaluation practice has in other levels of its organisation. For example on business area and divisional levels.

8. Further Research

This research has been entirely qualitative, generating a thorough picture of the current state of HSE supplier evaluations in one of Global Company's subsidiaries, Local Company. Further research could possibly be more quantitative, including several subsidiaries, to be able to quantify patterns and illuminate differences among them. Furthermore, besides the studies of Global Company's guidelines, our research has only shallowly included perspectives from divisional level, business area level and corporate level. Therefore, further research could focus more on these to also cover the top-down perspective in more depth.

Finally, in the argumentation whether a multinational company should adopt a global or a local CSR strategy, common critique against adopting the latter is that the company due to the multiple local strategies might be subject to internal tensions and be criticised for lack of consistency. Furthermore, when the local host country is a developing country with lower CSR standards, there is a risk that the local subsidiaries will target these lower standards instead of the higher standards expected in the company's home country. However, despite this critique there are studies indicating that the most effective CSR practices would occur in decentralised organisations in which subsidiaries in host countries are characterised by a significant level of autonomy to develop CSR strategies that are responsive to local contexts (Muller, 2006). Hence, we suggest that the question whether Global Company should have its current global CSR strategy, at all, or instead adopt a local CSR strategy should be addressed in further research.

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Appendix 1: Global Company's Ten Criteria Letter

In this appendix Global Company's Ten Criteria Letter is presented. The ten criteria are based on four international guidelines supported by Global Company: UN's *International Bill of Human Rights* and *Global Compact*, ILO's *Declaration on Fundamental Principles and Right at Work* and OECD's *Guidelines for Multinational Enterprises* (Global Company X, 2012). There are several guidelines available from Global Company for its company units to use when performing HSE supplier evaluations. These guidelines are presented and briefly explained in *Chapter 2.1*.

Table 4: Reproduction of Global Company's minimum expectations on business partners, including suppliers, regarding the five HSE aspects (Global Company X, 2012).

Global Company's minimum expectations on suppliers	
1: Support and respect of human rights	Suppliers have to support and respect the protection of human rights. They have to be able to confirm that they are not complicit in human rights abuse and they should comply with the main international ethical guidelines supported by Global Company.
2: Elimination of all forms of forced and compulsory labour	Suppliers must not have any forced or involuntary labour. It is not tolerated in any form. This includes any work or service extracted from a person under the threat of penalty and for which the person has not offered himself or herself voluntarily, or employees who have had to deposit money or original documents such as passports and education certificates and the like, during their employment.
3: Rejection of child labour	Global Company does not accept child labour. Suppliers have to take necessary preventive measures to assure that they do not employ anyone below the legal age of employment. This means that unless local law stipulates a higher age limit, no person younger than the age for completing compulsory education or younger than 15 (or 14 where permitted by ILO convention No. 138) may be employed. For authorised minors, management is responsible for providing working conditions, hours of working and wage appropriate for his or her age in compliance with applicable local law as a minimum. The minimum age for hazardous work is 18 years.
4: Elimination of discrimination with respect to employment and occupation	Suppliers must support equal opportunities, fairness and diversity and ensure that all employees are treated strictly according to their abilities and qualification in any employment decisions, regardless of race, religion, gender, age, nationality, disability, personal relationship, union membership and/or political opinion.
5: Safe and healthy working environment, factory conditions and housing	Suppliers are required to make employees' safety a priority at all times. Premises/factory conditions have to be such that workers can perform their functions in a safe and healthy environment, including fire protection. To minimise risks, there should be appropriate policies to safeguard this, providing training and give responsibility to appropriate people. Facilities for employees should be such that individuals' dignity and hygiene are safeguarded. Suppliers should take appropriate actions to ensure safety and prevent accidents and illnesses resulting from workplace conditions, on behalf of their employees. This includes availability of first aid equipment, for example.
6: Integrity	Suppliers have to work against all forms of corruption, including extortion and bribery. There can be no use of fake documents or other illegal practices or use of undeclared production units or suppliers.

	Global Company requires cooperative management, free access to premises, including manufacturing facilities. Suppliers have to confirm their commitment to fair competition and agree not to enter into discussions or agreements with competitors concerning pricing, market sharing or other similar activities.
7: Freedom of association and the effective recognition of the right to collective bargaining	Suppliers have to confirm that their workers are free to communicate openly with management to resolve workplace and compensation issues. Employees have the right to choose whether or not to be represented by trade unions for the purpose of collective bargaining. No discrimination should be directed at any employee exercising such rights.
8: Initiatives to promote greater environmental responsibility	Suppliers should ideally have an Environmental Management System or, as a minimum, be committed to developing an environmental policy or system, which ensures continuous improvement of their own environmental performance.
9: A precautionary approach to environmental challenges and the development and diffusion of environmental friendly technologies	Suppliers must conduct their businesses so that the environment is preserved, including water use and waste water treatment. When developing products and services, suppliers should address and minimise the negative environmental effects that the products and services may have when being manufactured distributed and used, as well as during their disposal. Suppliers should confirm their willingness to encourage the development and promotion of environmentally friendly technologies in products, processes and design.
10: Compliance with Global Company's prohibited and restricted lists	Global Company's prohibited list identifies chemical substances not to be used in products supplied to or manufactured for Global Company. The restricted list identifies chemical substances, the use of which must be limited. Suppliers must confirm their compliance with these lists. Chemical containers must be properly labelled and safely stored. A material safety sheet (MSDS) or similar should be available (in the local language) in the workshop. The instructions in the MSDS should be followed.

Appendix 2: Global Company's HSE management system Requirements

In this appendix Global Company's requirements on a HSE management system are listed. The requirements are tasks, processes, objectives *etc.* that should be included in a HSE management system (Global Company V, 2012).

Safety, Health and Environmental risk assessment

- Perform a risk assessment of all processes/departments within the company. Identify the areas with the major HSE impacts including an environmental review of all processes.
- Establish and document a process to identify, prioritise and mitigate the significant HSE risks and other related aspects associated with the operations and activities.

HSE objectives

- Establish HSE related objectives approved by the board. The objectives should be derived from the HSE risk assessment and be instrumental in reducing the company's HSE impact.

HSE policy

- Implement a HSE policy approved by the board of the company and connected to HSE risk assessment and objectives.

HSE laws and regulations

- Implement a system to ensure access to applicable HSE laws and regulations and to identify laws that are applicable to the company's operations.

Responsible person

- Identify a responsible person ("management representative") appointed to ensure that HSE legal requirements are fulfilled.
- Define clear roles and responsibilities in each department to reduce the safety and health risk and the environmental impact.

Management review

- The management team should follow up on performance and decide on actions and resources needed to reach their HSE goals.

Employee HSE educations programs

- Provide HSE training to the employees.

Develop new products and services with life-cycle perspective

- If the supplier designs for Global Company, it needs to follow Global Company's requirements, considering the products HSE impact during its entire life cycle (sometimes referred to as design for environment). This includes the end-of-life aspects, like facilitation of fractional reuse or recycling through marketing design that allows easy disassembling.

Use of substances on Global Company's prohibited and restricted lists

- Suppliers are required to be aware of and to follow Global Company's prohibited and restricted lists.
 - Prohibited substances are not allowed in Global Company's products and processes. If discovered they must be immediately replaced by approved alternatives.
 - Restricted substances are not yet legally excluded for use but should be phased out according to a plan considering technical and financial perspectives.

Material declaration

- The supplier should be able to declare the material content of its products. This includes awareness of European directives such as The Restriction of Hazardous Substances Directive and The Waste Electrical Equipment Directive.

Supply Chain control

- The supplier to Global Company has a responsibility to communicate relevant HSE requirements to its contractors and subcontractors, and to follow up on their performance.

Transportation of goods

- The supplier should analyse HSE aspects of the transportation of goods to Global Company and consider HSE when selecting method of transportation.

Appendix 3: List of Interviewees

In this appendix, all the interviewees are listed. In total, 42 interviews have been held with these interviewees.

Global Company

Company General

- Sustainability Coordinator

Regional Company

Sourcing Department

- Vice President, Sourcing,
- SQA team leader
- SQA/Project Leader Sourcing

Global Company's Subunit in China

Company General

- Vice President
- Global sourcing manager
- Corporate Communications Manager
- General Counsel Manager, Greater China

Local Company

Company General

- General manager
- Communications Manager
- Training & Development Manager
- HSE Supervisor
- Product Development Support Manager/local HSE council "Chairman"

Sourcing Department

- Sourcing manager

Division 1 Team (Core Purchasing)

- Team leader
- Buyer

Division 2 Team (Core Purchasing)

- Team leader
- Buyer

Non-Core Purchasing

- Team leader/local HSE council representative
- Buyer

Quality Department

- Quality manager

Division 1 Team

- SQA 1
- SQA 2
- SQA 3

Division 2 Team

- SQA team leader
- SQA 1
- SQA 2

Suppliers**Supplier 1**

- General manager
- Quality manager

Supplier 2

- Quality manager

Appendix 4: Generic Interview Guide

This appendix provides the generic interview guide used for collecting data. Since the interviews were unstructured or semi-structured, the order of the questions and the exact content of the questions varied depending on situation and interviewee.

Introduction

(To read:)

We are students from Chalmers University of Technology in Gothenburg, Sweden. We are currently writing our master's thesis for Global Company with regard to the supplier evaluation process at Local Company.

We would like to ask you some questions on how the supplier evaluation process is being done here at Local Company, and what you think about it.

Estimated time is around an hour.

Name:

Title:

Reports to:

Get reports from:

Years of Experiences in current position:

Years of Experiences within Local Company:

Previous positions within Local Company:

(Estimated age:)

Interview Guide

Current procedures for finding and selecting new suppliers

- How do you find a new supplier?
 - Differences for different suppliers?
 - How is it affected by type of product? By type/length of contract?
- What do you look for in new suppliers?
 - Differences for different suppliers?
- How do you select a new supplier?
 - Difference for different suppliers?
 - How is it affected by type of product? By type/length of contract?
- What do you consider when selecting a supplier? What factors?
 - Local version of the five pillar framework? Quality? Total cost? Logistics? Core development/technical competence? Company profile? Including SCR/sustainability aspects?
 - How are the factors prioritised? To what extent/how does each affect?
 - Difference for different suppliers?
 - How is it affected by type of product? By type/length of contract?
- Who is responsible for the selection/has the final say about which one to choose?
 - Are there clear roles/responsibilities?
- What ways do you see to improve the supplier selection process?
 - How?
 - In what way will it make it better?

Re-approval of existing suppliers:

- If you want to continue to buy from an already existing supplier, how do you do?
 - For how long can you use the same supplier without need for evaluation?
- Are there any directives for when and how this should be done?
 - From who?
 - To what extent does your practice follow these directives?

Directives on how to evaluate and select suppliers:

- Are there any directives in place for how to find and select new suppliers?
 - From who?
 - What do they say?
 - To what extent does your practice follow these directives?

- Business Code of Practice?
 - HSE policy?
 - 10-criteria letter?
 - Substances of concern? Restricted/prohibited lists?
 - HSE management system/ EMS?
- Do you see any ways how to improve the directives?
 - How?
 - In what way will it make it better?
- How can the use of the directives be improved?

About on-site audits at suppliers:

- When evaluating potential new suppliers, does anyone visit them on-site?
 - What suppliers? What factors decide who to visit? Is it affected by type of product? By type/length of contract?
 - Who goes and visits?
 - When? Before/after supplier selection?
 - Purpose of the visit?
- Do you see any ways how to improve the routines for supplier visits?
 - How?
 - In what way will it make it better?
- How does the auditor go about before/when going to a supplier for an audit?
 - How introducing Global Company?
 - The purpose of the visit?
 - Self assessment? Checklists?
 - Other preparation material for the supplier?
 - Global Company presentation material? Global Company's interactive CD-ROM training/e-learning?
- Do you see any ways how to improve this procedure/preparation?
 - How?
 - In what way will it make it better?
- Do you ever visit existing suppliers for on-site audits?
 - What suppliers? What factors decide who to visit? Is it affected by type of product? By type/length of contract?
 - Who goes and visits?
 - When? After how long time?
 - Purpose of the visit?

- How does the auditor conduct an actual on-site audit?
 - How long is the duration for a visit?
 - General schedule/procedure/order?
 - Discussion/presentation with management?
 - What is discussed? (Business Code of Practice? HSE policy? 10-criteria letter? Substances of concern? HSE management system/EMS? Global Company's interactive CD-ROM training/e-learning?)
 - Interview with HR manager?
 - Touring the factory?
 - Use of checklists? What for/which ones?
 - Discussion for improvements?
 - Set up of improvement plan/targets?
 - Scheduling of follow up?
- How does the auditor ensure compliance with HSE-aspects?
- What do you do to make them implement it? Agreements and follow ups?
 - Business Code of Practice?
 - HSE policy?
 - 10-criteria letter?
 - Substances of concern? Restricted/prohibited lists?
 - HSE management system/ EMS?
- What documents/agreements are signed?
 - 10-criteria letter?
 - Substances of concern? How is updates handled? Frequency?
 - For what purpose?
 - How do you use the documents after/later on?
 - Where can signed agreements be found? Do you have signed letters or contracts available/stored?
 - How many of the suppliers have signed (the recommended) agreements? E-mail surveys? percentage?
- How are the findings from the audits reported?
 - Where are they reported? Data system used? Lotus notes?
 - Where can they be found?
 - Who can find them?
 - How are they used later on?
- Do you see any ways how to improve the on-site supplier audits?
 - How?
 - In what way will it make it better?

- Are there any directives in place for how to execute on-site audits at suppliers?
 - From who?
 - What do they say?
 - To what extent does your practice follow these directives?
 - Business Code of Practice?
 - HSE policy?
 - 10-criteria letter?
 - Substances of concern? Restricted/prohibited lists?
 - HSE management system/ EMS?
- Do you see any ways how to improve the directives?
 - How?
 - In what way will it make it better?
- Do you see any ways how to improve the use of directives?
 - How?
 - In what way will it make it better?

Development of suppliers in HSE-aspects

- Do you ever support a potential supplier that you find interesting to develop in lacking areas? (lacking in terms of HSE-aspects)
 - How are they supported?
 - How are goals set up and followed up on?
 - Does it work?
 - Can it be improved?
- Do you require the supplier to train its employees in Global Company's values?
 - Use Global Company provided training site?
 - Do they receive the CD-ROM/e-learning?
- When are such a supplier approved?
 - Can they be approved under certain conditions?
 - Who takes the decision?
 - How do take part of the results from the on-site audits?
 - How do you use the

Appendix 5: Conclusions in Bullet Points

This appendix contains the conclusions that answer the two research questions in bullet point format. It is divided into two parts, one for each research question.

A) Research Question 1

Below is the answer to research question 1:

- 1. What are the current deviations of the HSE supplier evaluation process at Local Company from Global Company's guidelines?*

Roles and responsibilities

- The general manager, sourcing manager and quality manager do not fully ensure implementation of HSE supplier evaluations within their instances along Global Company's guidelines.

Training

- Since there is a lack of HSE supplier evaluation training for people involved in supplier evaluations within Local Company, there is a deviation from Global Company's guidelines on training.

Procedure

- Global Company's expectations on suppliers are not fully being communicated to Local Company's suppliers.
- Within non-core purchasing, commitments are only being collected for some of the suppliers.
- The commitments collected by the core and non-core purchasing teams do not reflect the commitments expected by Global Company.
- Risk assessments are being done for neither core nor non-core purchasing.
- Audits do not cover the ten criteria.
- Suppliers to non-core purchasing are never audited.
- No suppliers are encouraged to develop their businesses fully along the ten criteria.
- No suppliers are recommended to implement a HSE management system fully along Global Company's requirements on a HSE management system.

Tools and Use of them

- The commitment letter used at Local Company does not cover the ten criteria.
- The checklist used by SQAs when auditing core suppliers at Local Company does not cover the ten criteria.
- Since non-core suppliers are never audited, no checklist is used by the non-core purchasing team.
- The prohibited and restricted lists are not used at all towards non-core purchasing.
- The BCoP booklet is not used towards suppliers (either core or non-core).
- The e-learning is not used towards suppliers (either core or non-core).

Supplier Commitment Reporting

- Commitments are collected and reported for all significant suppliers at Local Company annually, however, the commitments collected and reported do not reflect the commitments expected by Global Company.

B) Research Question 2

Below is the answer to research question 2:

2. *What are the perceived reasons why the current HSE supplier evaluation process at Local Company deviates from Global Company's guidelines?*

Inadequately Designed Guidelines

- The guidelines from Global Company are vague and inconsistent and even if they are available to all employees at Local Company it is unclear to many whether they are mere recommendations or to be followed strictly. Furthermore, it is unclear to whom they apply.

Lack of Local Involvement in the Formulation of the Guidelines

- Local Company has not taken part in the formulation of the guidelines causing difficulties for some employees to relate them to their work.

Lack of Consistency in Process Ownership

- The high turnover of employees within the quality department, including the quality manager, hinders the improvements of the HSE supplier evaluation process. For example due to a lack of consistency of process owner. This does not create any deviation *per se*, but hinders improvements towards decreased deviation from the guidelines.

Lack of Communication of the Guidelines

- Since employees at Local Company are unaware of what the guidelines actually state, it is an indication that the guidelines have not been thoroughly communicated to them.

Low Prioritisation of HSE Supplier Evaluation Practice

- There is a low prioritisation of the HSE supplier evaluation practice at Local Company since the employees at Local Company perform it in parallel to their other work tasks.
- There is also a perception that there currently is a lack of resources to work with the HSE supplier evaluation practice more extensively than what is being done today.

Low Awareness of the Benefits

- Some employees at Local Company showed more deviations from the guidelines than the others. These employees also showed a somewhat lower awareness of the benefits for Global Company of working with the HSE supplier evaluation practice. This is believed to be a contributing factor behind these individuals' deviations from the guidelines.