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## Expected and Extended Responsibility: Balancing Corporate CSR Strategy with Stakeholder Demands

*A Case Study of Alfa Laval*

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# Abstract

**Title:** *Expected and Extended Responsibility: Balancing Corporate CSR Strategy with Stakeholder Demands- a Case Study of Alfa Laval*

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**Key Words:** *CSR in B2B, Supply Chain Management, Stakeholder Influence, Sourcing, Conflict Minerals*

**Purpose:** To map out how an industrial company can manage CSR efforts within the supply chain, balancing stakeholder demands with their own strategic approach. The study also investigated how a company can handle issues such as sourcing of politically sensitive materials, although not part of their CSR focus.

**Methodology:** A single-case study where semi-structured interviews built the understanding of the environment that the company operates in. We have aimed to use a deductive approach and based our research propositions on available theory. In the analysis the propositions were tested against the available empirical material.

**Theoretical perspectives:** This thesis was built on theories within the fields of CSR, Business Relationships, Supply Chain Management and Stakeholder Interaction.

**Empirical foundation:** The empirical material consisted of interviews with relevant departments at Alfa Laval. The U.S. legislation in the *Dodd-Frank act* from 2010 on the sourcing of conflict minerals is used as the example of external pressure affecting the business.

**Conclusion:** Business stakeholders are showing an increased interest in affecting CSR focus in B2B companies. However, as external parties cannot fully understand the prerequisites of the company's actions, this should be balanced with an internally formulated strategy. Managing this correctly can make the CSR efforts provide an added value, when the company moves from doing what is expected towards adopting an extended approach of responsibility.

## Prefatory note

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# 1. Introduction

*The aim of this section is to introduce the reader to the subject of Corporate Social Responsibility and the specific issue of sourcing so called conflict minerals. The problem formulation is presented as well as the research question and the purpose of this study.*

## 1.1. Background - Taking it to the next level

While Friedman in 1970 argued that a company’s main responsibility is making money, the general view of the corporate role in society is quite different in 2012. Besides from acting in accordance with the basic legal restrictions, companies are expected to take both ethical and social responsibility into consideration when doing business. Although efforts for energy reduction and human rights have been on the corporate agenda for quite some time, their impact on business making has grown to become one of the main areas of interest for corporate stakeholders. Consequently, more companies are reaching towards the higher levels in the Hierarchy of Social Responsibility (Carroll, 1991).



Fig. 1.1: Hierarchy of Social Responsibility, adapted from Carroll, 1991

Reflecting this development is the increased pressure put on companies by governments and non-governmental organizations (NGOs). After the global financial crisis in the late 2000s, caused by allowance of racing debt rates, voices were raised to urge politicians to limit the potential harm companies could do to society. As a result, the U.S. Government introduced the *Dodd-Frank Wall Street Reform and Consumer Protection Act* in 2010, which is described as follows:

*“An act to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”,<sup>1</sup> to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.”*

*(Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 111th Congress, U.S. Government Printing Office)*

The new law aims to make companies, in the financial sector but also companies in general, work closer with external actors and requires them to have a more transparent communication with stakeholders. There is a need to know not just whether companies are earning money or not, but also how they do it and what the process behind the business making looks like. As international trading is developing and multinational supply chains grow more common, the need for transparency and control upstream in the supply chain is increasing. It has also grown more complicated due to the many actors, spread across several countries, which are influenced by and influence the business processes.

### *1.1.1. Corporate Responsibility defined by the UN*

*The Guiding Principles of Business and Human Rights* by John Ruggie and the United Nations, published in March 2011, provides global corporations with information and guidelines on how to

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<sup>1</sup> Described by the Financial Times Lexicon (2012): *“This term is most often used to denote banks and firms that*

*The logic is therefore that these organisations would receive a “bailout” of some kind from the government - at the very least, protecting creditors against losses and perhaps also enabling management to stay in place (and, in some cases, the full payment of wages and bonuses).”*

perform due diligence in order to avoid abuse of human rights. The corporate responsibility is hence one out of the three pillars on which this Framework is resting.<sup>2</sup>

*“The second [pillar] is the corporate responsibility to respect human rights, which means that business enterprises should act with due diligence to avoid infringing on the rights of others and to address adverse impacts with which they are involved.”*

(Ruggie, 2011, p. 4)

Companies hence have the obligation to not only make profit but to do so responsibly and respect human rights within and around their processes. For large, multinational companies one difficulty is to evaluate and correct areas of the supply chain that are partly out of their control. The report also describes the responsibilities of corporate home states to set clear expectations for companies to respect human rights in processes abroad. Judging from this development, states represent yet another influencing party for multinational enterprises (MNEs) business making.

### *1.1.2. Conflict minerals*

Section 1502 of the previously mentioned *Dodd-Frank* requires publicly traded companies in the USA to inquire into the origin of tin, tantalum, tungsten and gold (3TG minerals) in their supply chains. They should report on their efforts of *due diligence* for the sourcing of these minerals, in order to determine whether they are conflict-free<sup>3</sup>. The minerals affected are to a large extent mined in the Democratic Republic of Congo (DRC) where the dealing is fuelling the armed conflict in the area. The DRC holds an estimated 80 % of the world’s coltan reserves, from which tantalum can be extracted (British Foreign and Commonwealth Office, 2011), but it is also a location where armed groups sustain conflict and violate human rights. These groups often take part in the trading and mining of minerals, giving them the means needed to continue their destructive combat. The large number of small actors combined with the many tiers in the supply chain make the sourcing of conflict minerals difficult. Still, 3TG minerals originating from the

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<sup>2</sup> The remaining pillars are: *“the state duty to protect against human rights abuses by third parties [and] the need for greater access by victims to effective remedy, both judicial and nonjudicial”* (Ruggie, 2011).

<sup>3</sup> Meaning that they do not influence the conflict in the DRC in a negative way.



DRC are used in several industries and products, which reveals the problem of securing the supply chain and handling raw material in a responsible way.

### *1.1.3. CSR in B2B companies*

Earlier research focus and CSR interest has been clustered around business-to-consumer (B2C) companies (Bhattacharya & Sen, 2004; Maloni & Brown, 2006; Andreasen, 2008; Du, Battacharya & Sen, 2010). A possible reason for this could be that the actions of business-to-business (B2B) companies might be of less interest to a broad audience as well as to the media, since their products are less known to the general public (Andreasen, 2008). The set of influencing actors is also different, since B2B companies are to a greater extent dependent on other companies (Ford, Gadde, Håkansson & Snehota, 2011). Another reason for the differing research interest might be the engagement of customers and that purchasing is less affected by emotional factors than in B2C (Andreasen, 2008).

Industrial companies have to manage sourcing, manufacturing and delivery in accordance with both business principles and customer inquiries, balancing internal and external demands. In Sweden we find companies such as SKF, Alfa Laval, Electrolux and Sandvik, who all face this challenge. They have a vast range of suppliers and customers spread across many countries and business areas, which along with other stakeholder groups influence their business priorities. The many actors in the supply chain and the vast geographical distance to suppliers increase the difficulty of controlling the sourcing process (Elg & Hultman, 2011). Another issue is the large dependability on other actors in the business network and the resources needed to manage them. However, building relationships can also result in lower costs, when adapting a long-term perspective cooperating with another party (Ford et al., 2011).

## 1.2. Problem discussion

Increased awareness about environmental and social issues has made companies face the challenge of how to incorporate sustainability in their business. The development has in recent years led to legislation and guidelines that put increased pressure on companies to take

responsibility for raw materials included in their products. Customers, as well as other stakeholders, expect answers regarding the origin of products and working conditions in the manufacturing process, if not for their own interest, to satisfy their stakeholders in turn. Hence, the industry's main measures of cost, delivery precision and quality are accompanied by sourcing control and the need to assess sensitive areas that could affect the credibility of the business. A practical example of the complexity of sourcing is that when customers contact middleman actors in the industry, such as Alfa Laval, in order to get information, they in their turn have to pass it on for investigation further back in the supply chain network.

CSR measures within sourcing as well as other areas can be implemented voluntarily, be initiated by stakeholders or driven by legislation. Regardless of initial motivation, the question is how to formulate, execute and control it. Presumably, a large corporation has a lot of resources but on the other hand a lot more to control, and hence, a vital point is how to manage and structure CSR efforts. In a large organization the responsibilities for cost, quality and other factors are often divided between departments or even outsourced to actors outside of the company. This creates a lot of dependability and a situation where purchasing companies need to trust the upstream actors to be responsible for downstream inquiries.

### 1.3. Problem definition

The focus of this case study is CSR initiatives connected to supply chain management in a multinational industrial company. Based on the discussion above, the study aims to describe CSR in a B2B context and to explain how stakeholders influence responsible corporate behavior. The theoretical areas have been divided into the areas of *making sense of*, *organizing*, *communicating* and *controlling* CSR. At the empirical level the study aims to describe the internal perspective on external influence of an industrial B2B company.

### 1.4. Research question

*How can an industrial company balance their CSR strategy with stakeholder demands?*

## 1.5. Research purpose

Through initial research we find that there might be different motives for CSR within B2C and B2B ranging from the varying set of stakeholders. It is thus relevant to investigate this and try to map out the different incentives for CSR. Deciding what to focus on in terms of CSR strategy can be particularly difficult since the company needs to balance demands from customers with their own strategy and their suppliers' ability. Often, suppliers and customers are stakeholders with conflicting priorities. These priorities have traditionally been affecting pricing, quality, delivery precision and communication, and are now accompanied by CSR.

More specifically we aim to research stakeholders' influence and other motives for CSR work in a B2B context. Through describing the case of Alfa Laval and the challenges they meet in the sourcing of minerals, the empirical study focuses on how industrial MNEs can handle CSR issues their supply chain. We will examine how industry specific factors might affect CSR work, for example the handling of certain raw material or supplier development, as well as how external actors and government agencies control and affect CSR. Based on the reasoning above we have formulated the following research propositions that we aim to investigate through this study. The reasoning behind these propositions is further explained in the Theoretical Framework.

*P1: CSR strategies are based on internal corporate interest rather than external pressure.*

*P2: The most fundamental level of acceptable corporate responsibility is based on legislation.*

*P3: Price and quality are superior to CSR in B2B business making.*

*P4: CSR can become an additional factor in the marketing mix.*

## 1.6. Study limitations

Since we want a thorough understanding of the challenges of CSR that a B2B company can face, we make the limitation not to investigate or make a comparison to CSR in a B2C context, apart from stating some fundamental differences between B2C and B2B markets and demands. This distinction is also relevant since the area of B2C research is more developed, and thus

investigating B2B could provide more of a theoretical contribution. The thesis is limited to a single company case study and focus is therefore on business making in an industrial manufacturing environment. This choice of limitation is further discussed under *Case Study* in the Methodology section.

## 2. Theoretical framework

*In this section we present previous research and discuss relevant literature within the fields of Business Relationships, Supply Chain Management and Stakeholder Interaction as well as CSR and its use in business. Earlier research is divided into the categories of sense making, organization, communication and control of CSR. The different sections provide a structure that leads us towards the four research propositions that will be elaborated on.*

### 2.1. No company is an island in the world of business

Companies' dependency on their business network has always been a fact, but is growing as technology is becoming more complex and specialization in the firm's core business is possible through increased outsourcing (Ford et al., 2011). While allowed to focus, companies also become more vulnerable to indirect pressure and influence reaching them through their network (Ford et al., 2011). Despite the negative aspects of this influence, companies cannot avoid becoming more dependent on the actors in their network (Ford et al., 2011).

Earlier research has shown that key stakeholders tend to reward good corporate citizens and punish bad ones (Du et al., 2010). This was also proven by a research study in which 66% of Americans claimed they would boycott a company with negative corporate responsibility practices (Cone cause evolution survey, 2007, in Du et al., 2010). Raised awareness among consumers, media and politicians causes demands for increased transparency in business making throughout the whole process, including sourcing, manufacturing and selling.

There will be a number of different stakeholders in any given situation, often of varying opinions of what should be done, and the challenge is then for the corporate management to decide what opinions and factors to pay attention to (Carroll, 1991). Although not equally influential, the goal should be to keep all stakeholder groups satisfied, while trying to let the primary stakeholder(s), based on their power and legitimacy, achieve their objectives (Carroll, 1991), given the resources

available. Firms can also derive advantage from stakeholder demands and use them as a source of inspiration for business making (Porter & Kramer, 2006).

Within the relationship with a client or a supplier, companies need to consider the external demands as well as criticality of performance and competitive advantages for their industry. The interaction between companies within the same sector can be understood through Biggemann and Buttle's (2008) description of industrial belonging. This can be interpreted as a sign that companies within a specific business group has a common base for interaction and interpretation.

*“This describes recognizable patterns of behavior exhibited by companies within a sector, including practices that are deemed acceptable or unacceptable.”*

(Biggemann & Buttle, 2008)

However, within a supply chain network, companies are dependent not only on their transaction partner but also on third party actors (Håkansson & Snehota, 1995b in Biggemann & Buttle, 2008). Ranging from recent legislation, e.g. the *Dodd-Frank* act, and the increased interest in social issues, CSR can be considered to be an important factor for industrial companies in their interaction with external actors. It can also constitute a tool for companies in their positioning (Kotler & Lee, 2005 in van der Ven 2008; Porter & Kramer, 2006). As a way of accomplishing this, Basu and Palazzo (2008) explain the creation of a corporate CSR character through the organization's way of thinking, communicating and acting.

Earlier research emphasizes special characteristics within the B2B market such as fewer and larger actors, larger sums of money and larger orders compared to B2C (Armstrong & Kotler, 2009). The buying behaviour can also be affected by an *inelastic demand*, hence that purchasing actors are less price-sensitive, since the products will be sold again to another business customer or an end consumer (Armstrong & Kotler, 2009). Finally, buyers and sellers have a higher level of dependability and work more closely together to solve possible problems (Armstrong & Kotler, 2009). Ford et al. (2011) also suggests that the B2B market is characterized by a two-way interaction where the purchasing and the selling party cooperates to create and produce valued products.

Inspired by these parts and to get a thorough view of how B2B companies deal with these CSR matters, we highlight four areas of investigation. These range from the very start of defining and *making sense* of the CSR challenge, to how both this understanding and the actions it calls for are *organized* and *communicated* and finishing with the area of *controlling* the actions taken.

## 2.2. Defining CSR

Throughout its lifetime as a research subject, the focus and definition of corporate responsibility has been of varying nature. On a basic level it can be stated as the way firms actively contribute to the social, economical and environmental development of society (Global-CSR.com, 2012). Summarized by Carroll (1979), some of the CSR definitions have been:

1. *Profit making only (Friedman)*
  2. *Going beyond profit making (Davis, Backman)*
  3. *Going beyond economic and legal requirements (McGuire)*
  4. *Voluntary activities (Manne)*
  5. *Economic, legal, voluntary activities (Steiner)*
  6. *Concentric circles, ever widening (CED, Davis and Blomstrom)*
  7. *Concern for the broader social system (Eells and Walton)*
  8. *Responsibility in a number of social problem areas (Hay, Gray and Gates)*
  9. *Giving way to social responsiveness (Ackerman and Bauer, Sethi)*
- (Carroll, 1979)

One stated criterion for CSR is that it should be a voluntary action (Hazlett, McAdam & Murray, 2007; The European Commission, cited in van der Ven, 2008). Furthermore, the relationships with corporate stakeholders is often discussed when deciding what do to in terms of responsibility (Basu & Palazzo, 2008; van der Ven, 2008; Porter & Kramer, 2006). Typically CSR, when working in the way it is intended, is defined as a way to increase value for both stakeholders and the corporation itself (van der Ven, 2008).

Often when discussing CSR, focus is put on the tension and conflicting interests between business and society. However, what benefits society can also benefit companies and vice versa (Porter & Kramer, 2006). At its best, companies bring work opportunities, wealth and innovation while society contributes with educated workforce and a balanced legislation (Porter & Kramer, 2006). Further, some claim that a company can never take responsibility for all societal issues that demand attention, and through focusing on the question(s) that the firm is best suited for and has competence within, CSR can be aligned with the core of the business (Porter & Kramer, 2006). However, Ammenberg (2004, in Andersson, Lamberth & Sandqvist, 2007) argues that companies need a consistent and coordinated engagement in the three dimensions of economical, environmental and social sustainability in order to implement CSR successfully.

Carroll (1979) presented a model of CSR where different activities are sorted through levels of responsibility (see Fig. 1.1), ranging from the basic economic and legal responsibility, to ethical and even philanthropic responsibility. While acting ethically is generally expected, acting philanthropically means that the company will go beyond the behavior that is expected. Society wants companies to contribute with their resources to the public welfare, but they will not necessarily be punished if they do not (Carroll, 1991).

The understanding of CSR that will be used henceforth is that it can be considered a strategic and organizational tool. Adapting this view, companies should aim to fit it into business making through using it strategically, and align it with the firm's core business. This understanding is based on the perception that companies can use CSR work in a long-term perspective to build stability within the firm and its business network. Another distinction is that responsible behavior is not necessarily voluntary, but can rather be driven by stakeholders, who are affected by their stakeholders in their turn, or legislation.

### 2.3. Sense making of CSR

An occasionally experienced problem with CSR, as pointed out by Porter and Kramer (2006), is that it can demand attention to be directed towards other areas than those relevant to the general corporate strategy. Porter and Kramer (2006) further argue that this can cause corporate CSR



efforts to be less productive than they have the potential to be. However, if CSR strategy is developed through internal sense making and motivated by an organizational need or will it can contribute to corporate identity and hence be of greater use (Basu & Palazzo, 2008).

The internal drive for performing CSR can be further understood by studying the perceived view of relationships with stakeholders (Basu & Palazzo, 2008). Through realizing the stakeholder's standpoint, companies can adapt their CSR to fit with this (Basu & Palazzo, 2008). However, although informed, actors outside of the company can never fully understand the corporate complexity and prerequisites that affects the choices of CSR attention (Porter & Kramer, 2006). Therefore, there is a need to balance the internal understanding and strategy with the opinions of external pressure groups. Otherwise companies might find themselves involved in a short-term defensive approach to CSR that will not provide any strategic benefits (Porter & Kramer, 2006)

There are a number of factors affecting the extent of socially responsible actions within the supply chain. Purchasing managers' awareness and external pressure, such as legislation, are both strong drivers behind initiatives in the supply chain (Salam, 2009). Interestingly, individual managers' attitudes also play a major role for the CSR focus (Salam, 2009). A single individual attitude is however not enough, but there is a need to coordinate the purchasing, marketing and distribution functions (Webster, 1992 in Salam, 2009). This could be another argument for focusing on actors and activities outside of the company, since these departments interact with stakeholders. Therefore, selling companies for example, need to consider the opinions of not only buying customers, but also support of actors within their supply chain (Ford et al., 2011).

### *2.3.1. CSR and strategy*

Earlier research has emphasized the benefits of CSR, for example as a key factor for positioning (Luo & Battacharya, 2006). Despite the risk of companies being perceived as dishonest or unfocused (Porter & Kramer 2006; Du et al., 2010) CSR can sometimes also be a component for marketing (Elg & Hultman, 2011). In addition, CSR can give the company an increased reputation, which in its turn can attract talented employees (Roberts, 2003). Another benefit is that CSR initiatives can contribute to the promotion of a company as well as its products, since the

frequency of exposure to the market increases when or if activities are noticed (Roberts, 2003). Reputation can also be considered specifically important in supply networks, used to emphasize the quality of products (Roberts, 2003).

The traditional marketing mix model constitutes a tool for companies to influence the demand for their product (Armstrong & Kotler, 2009). However according to Ford et al., (2011) B2B companies need to modify the traditional marketing mix for each customer. This is due to the different environment of the B2B market, where interaction is high and customers are not only responding to changes, but are actively taking part in them. Factors within the marketing mix, such as price, need to be weighed towards potential benefits of a certain relationships and the costs that might occur in a long-term perspective (Ford et al., 2011)



Fig. 2.1: The Marketing Mix, adapted from Armstrong & Kotler, 2009

Porter and Kramer (2006) maintain the view that companies can benefit from having a strategic approach to CSR work, where the focus should be on projects linked to the business objectives of the company. Milliman et al. (2008) further elaborates on how companies can make practical use of this strategic approach. One alternative is to let competitive advantage lay the ground for all CSR initiatives while at the same time considering societal trends (Milliman et al., 2008). Another is to evaluate different options and choose the one most beneficial, or "that [which] has the most promising impact on both the organization and society" (Milliman et al., 2008). Developing the

right CSR strategy requires a clear image of the organization's mission, values and core business activities to align initiatives with the company's reality and identity (Smith, 2003; van der Ven, 2008). It also requires knowledge about how the company affects the environment they act in, both socially and environmentally (Smith, 2003). CSR can also provide B2B companies with a way of connecting to the general public as well as to customers and future prospects (Andreasen, 2008; Roberts, 2003), through the previously mentioned increased market exposure.

#### 2.4. Organizing and communicating CSR

The understanding of what CSR is can presumably be followed by a discussion on what it can mean to the company and its organizational consequences. Initially, Pryce (2002, in Hazlett et al., 2007, p. 670) suggests that the focus of CSR is driven by five forces, namely "*customer pressure, changes in business procurement, government legislation and pressure, risk of socially responsible investment and changing expectations of employees*". Hazlett et al. (2007) conclude their study, as also stated by Gentili (2003 in Hazlett et al., 2007, p. 679), that CSR could be of more use if it is "incorporated in to existing models [...] rather than being viewed as a separate phenomenon". If CSR is connected to the overall strategy and processes it could ease and enhance quality management as well (Hazlett et al., 2007). Another benefit of a smooth alignment is that the organization, if familiar with corporate values, will use them as a base for the behavior of the company and that stakeholders hence will find a consistency in how the company is acting and communicating (Hazlett et al., 2007).

Once managers have realized why and how CSR can be of relevance it is essential that companies also have a strategy for organizing and communicating CSR. Earlier research upholds that CSR without external communication results in less benefits and hence less incentives for companies to work with these issues (Porter & Kramer, 2006). Also, stakeholder awareness of a specific issue will lead to greater support for it (Du et al., 2010). The key challenge when communicating CSR is to reduce skepticism (Du et al., 2010) that might occur from market activities that are perceived as manipulative. The source of the CSR information will also affect the perception of the message, and the most credible one is media coverage from independent sources (Du et al., 2010; Kotler & Lee, 2005 in van der Ven, 2008). There are multiple ways that companies can communicate their

CSR work (Ziek, 2009), for example via their webpage or through various reports. Nearly 80 % of the 250 largest companies worldwide issued CSR reports in 2005 (KPMG, 2008). Ranging from different interests, there might be reason to tailor CSR communication to varying stakeholder groups (Du et al., 2010; Dawkins, 2004). Stakeholders can be divided into two different types, namely opinion-leaders and the general public (Dawkins, 2004), where the first group motivates the use of reporting standards that simplifies analysis and comparison of data. The communication with the second group, the mainstream investors, is rather aimed towards proving the business impact of CSR (Du et al., 2010; Dawkins, 2004).



Fig. 2.2: Stakeholders of a company, adapted from Freeman, 2010

## 2.5. Control and be controlled

Amaeshi (2008) assess the difficulties in making certain companies responsible for other companies' practices. Despite their limited control, brands can be harmed by what their suppliers might do. Covey (1992, in Amaeshi, 2008) depicts this problem through the circles of control, influence and concern. The model shows that although companies might wish to influence certain

areas, it is outside of their control (Covey, 1992 in Amaeshi, 2008), and they are hence unable to affect it to a larger extent.

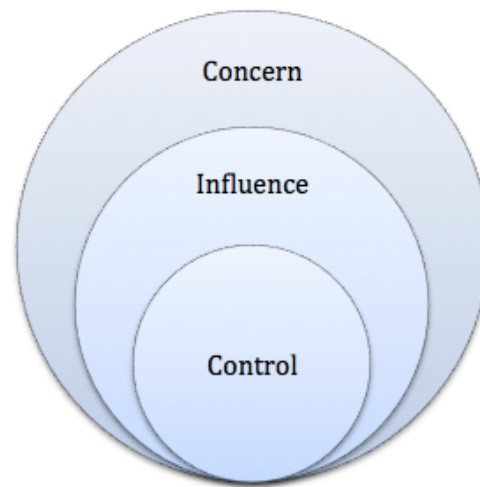


Fig. 2.3: Circles of control and influence, adapted from Covey, 1992 in Amaeshi 2008

Controlling CSR, or rather managing traceability, is essential to make sure that stakeholder interest is met (Maloni & Brown, 2006). This involves controlling the supply chain and keeping track of your suppliers and their business. Supplier relationships of a high involvement nature are characterized by close collaboration, cooperation over time and co-development of products (Ford et al., 2011). Collaborating companies also have to invest in the relationship in order to prevent it from losing value (Ford et al., 2011).

Another problem is to coordinate multiple interdependencies and stakeholders with differing interest (Huemer, 2006; Pedersen, 2009; Maloni & Brown, 2006). In this context, seeing company processes as a simple value chain is not enough; companies rather function in a value network (Huemer, 2006). Logistic service providers, for example distributors, have their own, partly unpredictable agendas (Huemer, 2006), and this further complicates the ability to control each phase of the supply chain. One way for companies to show that goods are ‘clean’ from negative social impact is through ethical sourcing codes of conduct (Roberts, 2003). A preferable way of ethical sourcing starts with a mapping out of critical stages in the supply chain where high-risk factors are assessed. After identifying possible problems, a structured way of dealing with them can be created through building systems or reorganizing to create new roles (Roberts, 2003). In

addition, companies have legal obligations that cannot be avoided (Carroll, 1979). Corporate home states can place restrictions and through this it would follow that companies can also be indirectly affected through stakeholders based in other countries.

Business agreements are not only about the lowest cost, but also about other benefits the transaction might provide (Gadde & Håkansson, 1993 in Ford et al., 2011), for example transportation, storage and quality assurance. Supplier evaluation and selection is critical (Narasimhan, Talluri & Mendez, 2001) and several attributes need to be taken into consideration, such as cost and quality (Burt, 1984 & Burton, 1988 in Narasimhan et al., 2001). Although supplier control and adaptation is desirable, purchasing companies need to keep in mind that this control might restrict innovation at their suppliers (Ford et al., 2011).

## 2.6. Framework for investigation

Summing up, we find that companies are dependent on external actors and that they need to balance the input of different stakeholders. However, earlier research suggest that the most successful CSR strategies are those based on the core of a company, indicating that choosing a CSR strategy that is integrated with the main purpose of the business would be the preferred approach (Porter & Kramer, 2006; Milliman et al., 2008, Smith, 2003; van der Ven, 2008). This reasoning provides us with the first research proposition:

*P1: CSR strategies should be based on internal corporate interest rather than external pressure.*

The levels of CSR activities can be understood through Carroll's pyramid (1991, see Fig. 1.1), and in this model the lowest levels of responsibility are economical and legal obligation. The higher layers, especially the philanthropical represents behavior that goes beyond what is expected or required. This reasoning implies that companies have reached an accepted level of responsibility through obeying the law in the countries they operate in. Therefore, the second proposition assesses the levels of responsibility and indirectly brings up the issue of how companies should act in an international environment where legislation differs:

*P2: The most fundamental level of acceptable corporate responsibility is based on legislation.*

As discussed earlier, the B2B market structure and demands differ from a B2C market (Armstrong & Kotler, 2009). These differences are possibly affecting priorities and the way B2B companies work with the traditional tools of business and marketing. Since the B2B market is also characterized by relationships and interaction, the traditional marketing mix cannot be directly applied to all customer relationships (Ford et al., 2011). Supplier evaluation is critical, and mainly factors such as price and quality are taken into consideration (Burt, 1984; Burton, 1988 in Narasimhan et al., 2001). The third field of investigation therefore assesses how the interaction in a B2B market affects priorities and the sorting of factors from the original marketing mix and factors such as sustainability and CSR:

*P3: Price and quality are superior to CSR in B2B business making.*

Several researchers express that CSR can provide a company with benefits, such as increased reputation and connection to their stakeholders (Andreasen, 2008; Roberts, 2003). As mentioned earlier and supported by other authors, CSR can be considered a component for marketing (Elg & Hultman, 2011). Generally the marketing mix does not include CSR, but it can be considered a factor that can affect the others, through for example reputation (Roberts, 2003). Adding on to the third proposition, we thus, aim to investigate if and how CSR can be used as a tool for a B2B company through the fourth and last proposition:

*P4: CSR can become an additional factor in the marketing mix.*

### 3. Methodology

*In this part of the thesis we present and discuss the method used to fulfill our investigation. The scientific approach is described as well as our choice for collection of empirical material and the structure of the analysis. Finally we will be presenting our choice of case study and argue for both its strengths and its limitations.*

#### 3.1. Research logic

While there is literature to be found both within the area of CSR and within the area of B2B interaction, the combination of the two has not been investigated much. By applying research found in the fields of business relationships, corporate communication and strategy on CSR, we aimed to develop understanding for how CSR can be managed in B2B corporations. To achieve this, we have had a describing purpose, focusing on the issues of sense making, organizing, communicating and controlling CSR as well as sourcing policies within business relationships. Throughout the process our objective has been to keep the main focus on business relations, and especially on how external stakeholders can influence decisions concerning CSR strategy.

In this research, we aimed to emanate from a deductive approach, where theory within the fields of research mentioned above would lay the ground for understanding our case provided by Alfa Laval and their stakeholders (Bryman & Bell, 2007). Through using this approach, and by starting in the general theories, moving towards the more specific issues in the case an understanding has developed. This perspective was then transferred back up to a general level of business making through the analysis, where conclusions has followed logically. The propositions used to investigate our research question ranged from existing theories within the field, where the empirical evidence was then used to confirm, disregard or modulate them.



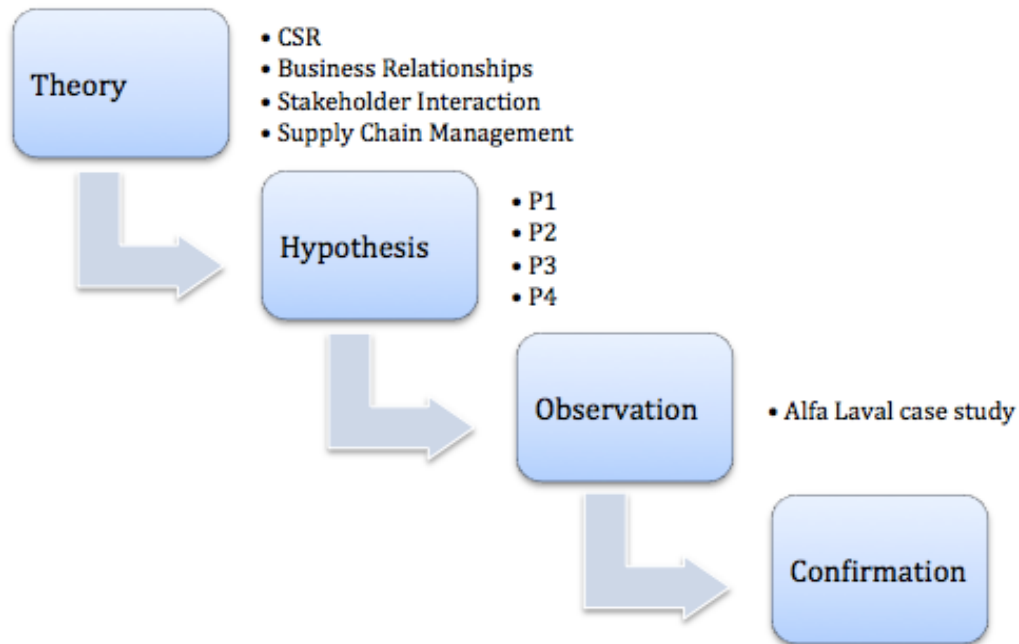


Fig 3.1: The Deductive Approach Waterfall, adapted from Aqil Burney, 2008

A qualitative method was used to investigate the CSR in supply chains as well as communicative issues. The interest was in creating an understanding for the values found within firms, which may provide the ground for their acting when it comes to CSR and related issues such as ethical sourcing. Because of this, qualitative research was suitable, as the aim was to map out both the overall view of sourcing and relationships as well as CSR, and its interpretation by the people working with these issues on a daily basis. Through collection of opinions from within the organization, a picture of what CSR work in B2B can look like in industrial companies was created. In that way, the research theories could be compared to the complicated reality of business making in B2B companies. Because of the nature of the qualitative research design, the authors' interpretation of the data collected has been the source on which understanding of the investigation is built (Bryman & Bell, 2007). The risk of subjectivity has been assessed through basing the reasoning in acknowledged theory, and discussing interpretations thoroughly.

## 3.2. Single Case Study

The choice of performing a single company case study derived from a desire to develop a rich and deep understanding for the situation of a B2B company in a global context. By limiting the research scope to one company, the possibility to investigate and compare the varying departments within the firm has increased. Common misunderstandings of single-case studies are that they cannot serve as a base for generalizable knowledge and that they are not suitable for hypothesis testing (Flyvbjerg, 2006). However, if the case suits the purpose, it might very well act as a way to develop understanding for or testing theories, as the knowledge gained from each specific case accumulates in the field of research (Flyvbjerg, 2006). Case studies are also ideal to use when testing hypotheses through falsification (Popper, 1959 in Flyvbjerg, 2006). If there is a proposition claiming something that is considered generally true, one single observation proving otherwise will lead to the proposition being either rejected or revised (Flyvbjerg, 2006). Based on this, the single case study was considered to be an effective way to test the propositions of influence over business making in B2B companies.

### 3.2.1. *Introducing the case*

To fit the purpose, the case company had to be a B2B company that was not in direct contact with neither raw material producers nor consumers. This limitation was made in order to properly investigate the influence of corporate stakeholders on business making, as it was estimated that this could differ compared to companies that are more well known to the general public. As mentioned, we also aimed to shed light over CSR in the B2B environment, as this area of research is not as well investigated as CSR in B2C companies.

To provide an example that was concrete and proven to affect business making, the trading of conflict minerals was chosen as the CSR issue investigated. Because of the *Dodd-Frank* act, it was relevant to study either a company based in the USA or a company with U.S. customers, hence indirectly affected by the legislation. That the company used one or more of the 3TG minerals in their products was therefore also a criterion.

Based on these criteria and the accessibility provided, the choice for the case study has been Alfa Laval; a Swedish company founded in 1883 that is now a global actor within the industrial sector, having a middleman position in the supply chain. They produce machinery for heat transfer, separation and fluid handling, focusing on energy optimization, environmental protection and food production (Alfalaval.com, 2012). With their middleman position, Alfa Laval's business is affected by the various and possibly conflicting interests of their suppliers and their large customers as well as their shareholders.

### 3.3. Interviews

Through interviews with employees at Alfa Laval working with the different business areas of interest, it was possible to perform a deep investigation and analysis of how the different professional roles in a B2B organization are affected by CSR initiatives. This method meant taking the risk of not getting enough access or not being able to publish sensitive information, but if successful it would provide a rich understanding of the challenges facing employees in a large organization.

Semi-structured interviews provided the possibility to adapt the questions for each person interviewed and also to add questions or develop interesting reasoning (Bryman & Bell, 2007). Focus was put on the thoughts and opinions of the respondents, in order to develop an understanding for the situations they are in. The questions were based on themes covering the areas investigated (Bryman & Bell, 2007). However, questions that pointed towards desirable acting within CSR, rather than describing reality, was avoided. By starting with open questions, an understanding was developed for what the different people and the departments they represented found to be most relevant. The questions and themes then provided a base for a deeper reasoning within the subjects that were most relevant for the study (Bryman & Bell, 2007). By focusing more on the respondents role within the organization and not raise the issues of CSR, the tendency of social desirability, that might cause the person being interviewed to answer according to what they would rate as desirable or expected rather than the most accurate, tried to be avoided (Bryman & Bell, 2007).

Since all interviews, except the one with Corporate Social Responsibility Manager, were held in Swedish, the citations used in the text have been translated by the authors and approved of by the respondents.

### *3.3.1. Choice of respondents*

To fulfill the purpose, we chose respondents from various business areas within Alfa Laval. A person from the Sales department in contact with Alfa Laval's customers, as well as employees within the department of Purchasing and Operations, participated in the study. In that way it was possible to develop an understanding for both the external influence on the company and the internal interaction. To gain a broad understanding of Alfa Laval's CSR efforts, their Corporate Social Responsibility Manager was contacted. In order to understand how the company has been affected by the *Dodd-Frank* act, a representative from Alfa Laval's U.S. Sales Company in Richmond, VA, was also interviewed. To get a wider perspective of the potential difficulties for MNEs, facing a number of different business environments through their presence in several countries, a respondent from the Operations department in China was chosen. The Chinese market is particularly interesting to gain insight in due to the differences in legislation and ethical aspects of business making compared to the European home market.

The people at Alfa Laval interviewed for this thesis are the following:

- Johan Fröjdh - Global Strategic Purchaser (Interviewed 2012-03-16)
- Mitul Sawjani - Manager, Global Purchasing (Interviewed 2012-04-03)
- Magnus Hartlen - Managing Director, Operations China (Interviewed 2012-04-17)
- Klas Abrahamsson - Director, Process Technology Division (Interviewed 2012-03-20)
- David Ford - Corporate Social Responsibility (Interviewed 2012-02-08)

### 3.4. Documentation

To complement the information earned through the interviews, secondary data in the form of reports and guidance for international business making was used. This has provided a benchmark

on how companies could or should work with the issues investigated, which could be compared with the corporate principles as well as our findings from the interviews.

The reports used in the case were the following:

- *Report of the Special Representative of the Secretary General on the issue of human rights and transnational corporations and other business enterprises. Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework* by John Ruggie, issued by the Human Rights Council of the United Nations
- *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* by OECD
- *Voices from the inside: Local views on mining reform in Eastern DR Congo* by Finnwatch & Swedwatch

### 3.5. Discussion

In order to strengthen the reliability of the investigation and the validity of the answers provided through the interviews, we have worked actively to avoid directing the interviews and our respondents in a certain direction (Bryman & Bell, 2007). By basing the interviews on open-ended questions and not focusing on the issue of CSR in particular, we aimed to depict the opinions of the respondents’ respective departments’ and depict their way of working as close to the reality as possible. As the personal opinions might affect their answers and hence not reflect Alfa Laval as an organization, we tried to design questions and interview structure to match the different departments rather than the people within them. All interviews have been recorded to make sure important points and information was understood correctly, and the respondents have read and approved of how their contents have been perceived and depicted. However, we have provided ourselves some scope for interpreting what has been said, as well as what was left out, during the interviews, in order to further increase our understanding and provide a base for our analysis. We are aware of the influence our subjective understanding can have on this investigation. However,

as the analysis is based on generally approved theories, we avoided making an interpretation of the case that is too personal.

### 3.6. Data analysis

The analysis was made through integrating the empirical material with the theoretical framework found relevant and applicable to this specific case. The material collected through interviews was recorded and transcribed in order to secure accuracy. As suggested by Carney (1990, in Miles & Huberman, 1994), the process then developed into finding categories and themes that were relevant to our study, ranging from our research questions and our propositions. An accurate analysis requires a focused and structured display of the material collected (Miles & Huberman, 1994). The case was therefore written with the aim of providing a concentrated yet thorough disclosure that would provide a structured base for the analysis. Through the analysis, connections were found between the case and theory, and these findings could then be used to draw valid conclusions (Miles & Huberman, 1994).

The conclusions were drawn and verified using a combination of tactics. *Finding patterns* (Miles & Huberman, 1994) within all of the interviews with the different respondents was used to find how employees viewed the issues investigated. *Making contrasts or comparisons* (Miles & Huberman, 1994) of the answers was used to depict the different views of CSR, particularly between the CSR Manager and the other departments. The method of *subsuming particulars into the general* (Miles & Huberman, 1994) was then used in order to lift the results from the personal level to making them applicable to the organization as a whole and business environment the company acts in. The results ranging from the study are foremost applicable to the case company, Alfa Laval. However, the challenges facing Alfa Laval are not unique and the implications could therefore be applicable to other companies, mainly industrial MNEs. To further tie the results of the study to a more widely applicable context, the tactic of *making conceptual/theoretical coherence* (Miles & Huberman, 1994) was used. This contributes both to making the conclusions trustworthy and to further confirm and develop existing theories.

## 4. The Case of Alfa Laval

*This section portrays the case of Alfa Laval, which serves as an example of how CSR issues are handled. It opens up with an introduction to the problem of 3TG minerals and a presentation of the case company. The corporate Business Principles as well as the context of coordinating the internal processes with external demands are accounted for.*

By the end of 2011, the first inquiries about conflict minerals reached Alfa Laval through an email from a customer based in the U.S. As a consequence of the *Dodd-Frank* act, the customer had started the work of securing its supply chain and wanted to know whether conflict minerals from DRC were used in Alfa Laval's products. Similar to the other Swedish companies that the Corporate Social Responsibility Manager has been in contact with, Alfa Laval were not sure how to respond. The many tiers of the supply chain (see Fig. 4.1) before the minerals end up in Alfa Laval's equipment and production complicate the actions of control and the traceability.

Alfa Laval is a global Swedish company that has become one of the world's leading producers of separators and heat exchangers. Through their three main business areas, namely heat transfer, separation and fluid handling, Alfa Laval operate in a B2B environment. They have a globally spread base of both suppliers and customers; a prerequisite providing both opportunities and challenges. While the headquarters is placed in Lund, Sweden, Alfa Laval has sales companies and manufacturing sites in Europe, North- and South America and Asia. The sales companies are responsible for sales to their respective markets and the manufacturing sites are responsible for producing products for all customers globally. The material for producing the company's products is sourced through their purchasing units and distributors spread globally.

Alfa Laval need to consider several countries' legislation, which is further actualized each time a new corporate unit is tied to the company through strategic mergers and acquisitions. Control of the supply chain is therefore complicated, as there are several tiers of suppliers as well as different restrictions influencing the business. In a similar way, each time a new customer is added, it implies increasing complexity through demands that might be new to the company. Alfa Laval

needs to manage and secure their supply chain and at the same time their customers have incentives for doing the same. Consequently, there will be inquiries that Alfa Laval need to be able to assess, regarding for example the sourcing of material or factory working conditions. While the CSR Manager is aware of the current issues and the company's standpoint in sensitive questions, it seems to be difficult to spread the information inside the organization and develop an overall strategy for handling stakeholder inquiries regarding CSR.

#### 4.1. Conflicting interests

The minerals tin, tantalum, tungsten and gold (3TG) are mainly used in small amounts in electronic equipment and especially within circuit cards in computers and mobile phones (Swedwatch, 2010). However, they are also present in industrial components since some of them are especially durable. When the demand for these products is growing, the minerals are increasing in value (Prendergast, 2009). In the Democratic Republic of Congo (DRC) in Western Africa, the mining of the minerals is to a large extent controlled by armed groups, which makes the trade fuel the conflict in the area. Because of this, the US Government posted the 1502 section in the *Dodd-Frank* act (2010), inquiring companies to display their usage and sourcing of 3TG minerals in their products. However, the current development seems to be that companies rather than securing their sourcing to use only 'good' suppliers choose to take the easy way out and not buy from the DRC at all. Hence, the gain of this law has been discussed since it might result in forcing small and already struggling family businesses out of work.

There are a large number of middlemen in the supply chain of the 3TG minerals, which makes the process from mining to processing difficult to control. Although legislation as well as company policies require a certain amount of control, it might be difficult to achieve, especially after the minerals have been melted. In the tracing of minerals companies usually accept a guarantee from the closest actor available, for example their direct supplier or a distributor of minerals.



## 4.2. Recommendations for handling of conflict minerals

The foremost influencing documents for the issue of sourcing 3TG minerals are the previously mentioned OECD Guidelines and John Ruggie Principles. Although neither of these documents is legally binding, they serve as a step-by-step action plan towards securing company sourcing of minerals from conflict areas.

*Guiding Principles on Business and Human Rights* by John Ruggie, was issued by The Human Rights Council to vouch for companies to have a constructive role in society. It also explains that states have a responsibility to protect their citizens from negative corporate impact and that companies have a responsibility to respect human rights.

*“Because business enterprises can have an impact on virtually the entire spectrum of internationally recognized human rights, their responsibility to respect applies to all such rights.”*

*(John Ruggie report, 2011)*

Based on the report by John Ruggie, The Organization for Economic Co-operation and Development (OECD) published the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* on how to deal with the issue of 3TG minerals, providing a *Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain* (OECD 2011). The framework initially states that companies should design a strategy to identify and handle risks in their supply chain. It also adds the more specific criteria of carrying out third-party audits and reporting broadly on the measures taken and the improvements made.

- 1. Establish a strong company management system.*
- 2. Identify and assess risks in the supply chain.*
- 3. Design a strategy to identify and handle risks.*
- 4. Carry out independent third-party audit of supply chain due diligence.*
- 5. Report on supply chain due diligence.*

*(OECD, 2011)*

The guidelines also suggest different approaches to the issue based on the company’s position in the supply chain, dividing them into “upstream” (mine to smelters) and “downstream” (smelters to retailers) companies. This division is due to the unfeasible task of tracing minerals after smelting. Downstream companies should, for example, implement a systematic way of handling information on which smelter they use. The smelters, in their turn, need to have updated information about the source of the minerals they melt (OECD, 2011).

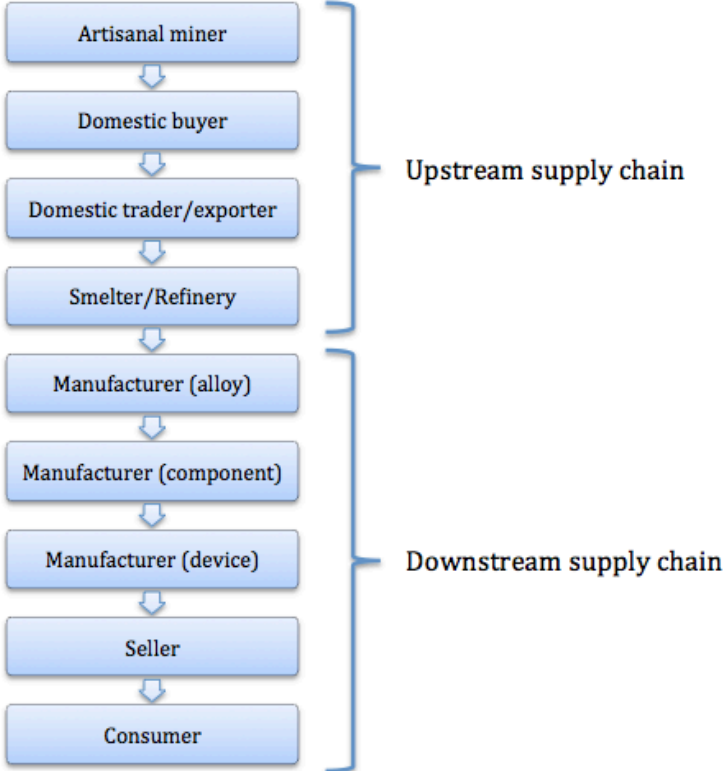


Fig. 4.1: The conflict mineral supply chain, including upstream and downstream actors, adapted from the UK Foreign & Commonwealth Office (2012)

### 4.3. Corporate Business Principles

For Alfa Laval, all business making is guided by their Business Principles. Published in 2003, they are based upon OECD Guidelines and the UN Global Compact directive, a policy created to

protect and respect human rights while doing business. The UN policy was presented in 1999 and has reached a broad acceptance among corporations since then.

Alfa Laval's Business Principles cover the areas of environmental and social responsibility, business integrity and transparency. The categories are summarized in the following way:

***1. Optimizing the use of natural resources is our business***

*Alfa Laval makes a significant contribution to reducing the environmental impact of industrial processes.*

***2. Respect for human rights is fundamental***

*Alfa Laval respects the human rights of its employees and the communities in which we live and supply.*

***3. High ethical standards guide our conduct***

*Alfa Laval conducts its business with honesty, integrity and respect for others.*

***4. Our commitment to open dialogue builds trust***

*Alfa Laval believes in open communication but is careful not to reveal valuable commercial information.*

(The Business Principles of Alfa Laval, 2003)

Alfa Laval's Corporate Mission is *"to optimize the performance of our customers' processes, time and time again"* (Alfalaval.com, 2012). In 2004 the *Pure Performance* campaign was launched, portraying the corporate focus of delivering high-quality solutions while at the same time offering saving energy (see Appendix 2). Through this campaign, Alfa Laval aimed to position themselves as a responsible company, caring for their customers and the environment. This is further expressed in the following quotes:

*Alfa Laval focuses on energy optimization, environmental protection and food production through our technological leadership [...].*

(Alfalaval.com, 2012)

*Our products are involved treating water, reducing carbon emissions and minimizing water and energy consumption, as well as heating, cooling, separating and transporting food. These areas represent the core of Alfa Laval's expertise.*

(Alfalaval.com, 2012)

#### 4.4. Purchasing at Alfa Laval

*Information in the following section is based on the interview with Global Strategic Purchaser Johan Fröjdh if no other reference is cited.*

*“The purchasing department is responsible for purchasing at the right price and the right quality.”*

(Global Strategic Purchaser at Alfa Laval, 2012)

At Alfa Laval the main responsibility for purchasing lies on the managers located in Lund, Tumba and Denmark, although they are supplemented with local offices and buyers in China and India. Once the material has been transferred in-house, the components are distributed to the 28 main production facilities located in Europe, Asia, the U.S. and Latin America. The minerals most frequently used in Alfa Laval's production are steel, titanium, aluminum and copper. These are not of the same sensitive nature as the 3TG minerals and the discussion on ethical sourcing issues is therefore not predominant in the purchasing process. Instead, the focus for purchasing operations lies on securing delivery precision and quality control as well as monitoring lead-time, reducing batch sizes, improving delivery performance and finding new suppliers.

Alfa Laval and the industry as a whole used to be price-oriented, but now the main focus has shifted to the concern of quality. Further indicating that quality is the superior factor is that supplier contracts have been changed or terminated due to low performance. CSR related issues do not seem to cause equally extensive consequences. However, the Business Principles always provide a primary criterion for selection of suppliers. Therefore, not being able to reach Alfa Laval's demands on CSR could technically cause the termination of a supplier relationship, even though it does not seem to be an often-occurring consequence.

*“I can not answer to that, but it has probably occurred but I do not have any experience of it.”*

(Global Strategic Purchaser at Alfa Laval, 2012)

The Purchasing departments also engage in product development through investigating the suppliers' capacity to deliver and what material that is appropriate to use. If made properly, this facilitates the process of launching new products. Since the major part of the final cost is settled already at the stage of designing a new product, it is important to consider the aspects of sourcing and manufacturing initially in the process.

*“So that you do not design [in a way that paints] yourself into a corner that will then make it very difficult for operations and manufacturing and sourcing and such. Which we still do in some cases anyway, but we try to standardize it to some extent at least. So it is a super important part, but it is easy to miss it.”*

(Global Strategic Purchaser at Alfa Laval, 2012)

#### *4.4.1. The Purchasing departments' environment*

Alfa Laval uses a black and grey list of banned materials, based upon ISO-standards. This list together with a computerized evaluation tool facilitates the analysis and the communication regarding follow up and supplier improvements. Traceability remains a complicated task and the process of controlling product certificates is both costly and time-consuming. Although the company has the ambition to follow up the upstream events, they do not have the resources to control more than the first-tier-supplier. According to the Global Strategic Purchaser at Alfa Laval, the first tier supplier needs to be responsible for the material certificate since it is difficult for them to trace the process further back.

*“[We have] way too many [suppliers]. Somewhere around 4000-5000. And the ones classified as global, they make up a fraction of them. And often there are loads of local suppliers that you cannot consolidate since [...] it is simply not profitable.”*

(Global Strategic Purchaser at Alfa Laval, 2012)

*“[...] The last party is responsible for the material certificate. And that is how we want it, it follows the international norm. Because, where should you draw the line? [...] We can not go through that whole process.”*

(Global Strategic Purchaser at Alfa Laval, 2012)

Because of the large number of suppliers, Alfa Laval has the ambition to reduce and consolidate their supplier base globally. This is expected to increase purchasing power and ability to focus resources and supplier development where it is needed the most. Alfa Laval has also started a program to support underperforming suppliers with a large potential to perform better. Suppliers are controlled through audits and occasional visits and it is always vital that a supplier has the proper prerequisites and Enterprise Resource Programs (ERP) for follow-up and evaluation before entering a contract, since relationships with suppliers may also be terminated due to low standards of deliveries.

#### *4.4.2. The Purchasing departments' stakeholders*

Customers are usually the starting point of a new demand that will later affect the Purchasing department. However, before it reaches Purchasing, the chain for receiving a new request consists of the Product Managers, R&D and Operations, who all need to collaborate to make sure that changes are feasible. The Purchasing department is also responsible for securing that suppliers follow the agreed Business Principles. By securing this, Alfa Laval's customers can be assured that their supply chain is reliable as well.

The demands from the market are mainly based on international standards, such as the ISO principles, which makes it possible for Alfa Laval and other actors to somewhat predict future

inquiries and also standardize their operations so that it aligns with industry policies.

*“ISO enables a consensus to be reached on solutions that meet both the requirements of business and the broader needs of society.”*

(ISO, 2012)

In terms of supplier demands, Alfa Laval mainly experiences a need for information regarding practical issues, such as purchasing forecasts and changes in orders. The suppliers require this in order to avoid inaccuracies in manufacturing and delivery. In the use of potentially sensitive materials, suppliers might also demand information regarding the usage of their product, as they are not allowed to engage in harmful activities. For example, when purchasing titanium sourced from the U.S., Alfa Laval has to certify that it will not be used to manufacture nuclear weapons. That demand, however, ranges from legislation rather than corporate initiatives.

Adding on, another stakeholder group is the shareholders or owners. They are the ones who mainly set out the structure of the company and thus also decide overall goals and strategy, for example whether there is a need to reach new markets or use new materials. However, they might also communicate new restrictions based on a rising demand from the market and require adaptation of projects in order to meet these new goals.

#### 4.5. Purchasing of tungsten

*To complement the general perspective of purchasing of metals, we had an interview with Global Purchasing Manager Mitul Sawjani who is responsible for purchasing of components containing tungsten, one of the 3TG minerals. Information in the following section is based on that interview if no other reference is cited. In addition, a Swedwatch report on the subject has been used to provide another perspective of the specific issue.*

The amounts as well as the value of tungsten in Alfa Laval’s products are small, but the company is equally affected by customer demands ranging from the *Dodd-Frank* act. Alfa Laval does not

purchase nor use pure tungsten as a raw material, but it is included in components bought from suppliers.

The interpretation of the *Dodd-Frank* act seems to be that companies are not allowed use minerals ranging from the area of the DRC at all.

*“We received a question that I have forwarded to them [the suppliers], so they have made sure to work actively with not having materials from Congo [...]. It is on that level, it is the supplier’s task in that case, to make sure that you can comply with certain things.”*

(Global Purchasing Manager at Alfa Laval, 2012)

However, the present legislation rather requests a statement of knowing the source and being aware of possible problems. The purpose is hence not to stop all sourcing of 3TG from DRC, but rather to secure that the sourcing do not contribute to the conflict by supporting armed groups. Swedwatch is an organization inspecting Swedish companies in developing countries, with the goal of contributing to a sustainable global growth. According to them, moving away from these areas might be more harmful to citizens than staying. Through including the DRC in international trading there is a possibility to positively influence the area and contribute to their development.

*“Measures taken should aim for a gradual improvement towards conflict free and sustainable mines, rather than boycotting”*

(Swedwatch, 2010)

#### 4.6. Operations at Alfa Laval

*Information in the following section is based on the interview with the Managing Director of Operations in China, Magnus Hartlen, if no other reference is cited.*

The Operations department in China is responsible for the manufacturing within the country, including the control of two existing factories and the current start up of a new one. Together,



these factories produce a large part of Alfa Laval's products for the Asian market and also export a smaller amount of products to America and Europe.

#### *4.6.1. The Operations departments' environment*

The Operations departments are acting in between Purchasing and Sales departments since they handle the manufacturing of products ordered by the Sales department, using material provided by Purchasing. Apart from handling local suppliers and factories, the Operations groups work together with central purchasing in Shanghai in the handling of global suppliers. One of the main priorities is to make sure that suppliers fulfill Alfa Laval's Business Principles. These principles are superior to demands on quality and cost and have become more of an issue on the Chinese market where some companies do not prioritize labor conditions. However, suppliers that are not able to meet the Business Principle requirements are not of interest to Alfa Laval.

*"If they [the suppliers] can not comply with the Business Principles, there is no point in discussing price or quality either."*

(Managing Director, Operations China at Alfa Laval, 2012)

*"We do not accept a lower level [of working conditions] for a lower price."*

(Managing Director, Operations China at Alfa Laval, 2012)

#### *4.6.2. The Operations departments' stakeholders*

The overall priorities for suppliers and the factories, that Alfa Laval uses, are safety, quality, delivery precision and cost, where safety is the most important factor. Ever since Alfa Laval first started up a factory in China in 1994, audits have been an important tool for keeping a high standard. These are carried out both by Alfa Laval themselves as well as by their customers. Besides the already mentioned priorities, the Business Principles are also part of the auditing and the CSR Manager occasionally visits the factories as well. In order to decide the frequency of visits at factories, Alfa Laval uses a system grading the suppliers with varying amounts of points depending on how well they score in the audit. Suppliers scoring low on the scale are visited more

frequently for follow-ups and will also be offered support from Alfa Laval. This might include setting up plans for development or inviting the supplier to visit Alfa Laval for the supplier to learn from their factory standards.

The Operations department has to handle internal demands from Alfa Laval, which are sometimes at a higher level than the demands from the Chinese government. These requirements might regard working conditions, vacation and over-time compensation. Some of Alfa Laval's customers also regard the Chinese market to be less reliable and hence demand more frequent audits in the factories there, compared to other markets. However, some customers never perform audits but instead trust Alfa Laval to follow up and manage their supply chain, including keeping track of where their suppliers buy their materials from.

*“They [the suppliers] can not choose any [supplier] either, but their suppliers also have to meet our requirements.”*

(Managing Director, Operations China at Alfa Laval, 2012)

#### 4.7. Sales companies at Alfa Laval

*Information in the following section is based on an interview with Klas Abrahamsson, Director, Process Technology Division at Alfa Laval, Inc., if no other reference is cited.*

*“The main responsibility of the Sales Company is to sell the products available and to find new potential markets for Alfa Laval.”*

(Director, Process Technology Division at Alfa Laval, Inc., 2012)

The main requirement experienced by Alfa Laval is that products should live up to the preceding life cycle-analysis and the specification set by customers. Generally, the offering that has the highest value at the lowest price is considered the best one. However, within the Sales function it has also been noticed that the industry seems to be shifting from a low cost focus to being more quality oriented. An increasing amount of customers are realizing that the lowest price can equal a questionable quality. Customers demand that Alfa Laval “steps up to the plate”, meaning that they

take responsibility regardless of whether the inaccuracies they experience in the products are caused by Alfa Laval or actors earlier on in the supply chain. Adding on, customers consider Alfa Laval responsible for providing availability of goods and in time-delivery with the ultimate consequence of Alfa Laval losing orders if unable to meet these demands.

*“Some customers do not care about what went wrong down the line but they require a top notch responsibility.”*

(Director, Process Technology Division at Alfa Laval, Inc., 2012)

#### *4.7.1. The Sales companies' environment*

Customer demands about sourcing are forwarded internally to Operations and are later shared with the Purchasing department and presented onwards to Alfa Laval's suppliers. Following the *Dodd-Frank* act, the purchasing process has grown more complicated since firms demand a higher level of signature before releasing orders. These new routines are a way of controlling the possible risks that companies take through their contracts. However, the main effect that Alfa Laval has noticed of the *Dodd-Frank* is that companies have less money to spend due to stricter loan conditions and more careful business making.

If tracing throughout the supply chain cannot be secured, Alfa Laval will report this to their customers who are then able to decide whether the deal should be carried out anyway. In the case of low transparency, Alfa Laval's competitors will normally not be able to track the materials either. Regardless of the outcome of the tracing, honesty is crucial throughout the process of reporting, since acting in a dishonest way can cause severe damage to the company and be very costly if revealed. Apart from traceability and quality, customer demands can also derive from international law, for example forbidding child labor and excessive pollution of the environment. Before offering customers a contract, the Sales companies need to make sure that the supply chain is able to meet the specific requirements provided by the market.

*”But thereafter it lies on Operations and we as Sales companies try not to interfere with it, more than constantly updating the demands of the market.”*

(Director, Process Technology Division at Alfa Laval, Inc., 2012)

It seems difficult to get a full overview of the complete manner in which material is handled from source to product but this is indeed valuable information to the company as well as to its clients. The most important part is once again to be honest, since not knowing the source is a common problem. Maintaining that the tracing of materials is complicated seems to be an acceptable explanation and although Alfa Laval occasionally experience that customers have a zero tolerance policy towards sourcing from certain areas of the world, the consequences for not knowing the source is not completely clear. Usually customers accept the difficulty of tracing a source of material and accept Alfa Laval making exceptions from the rules of tracing in their contract.

*”I have no example of us losing this [particular order] because we made an exception since we were unable to trace it [...]. That it could happen - definitely.”*

(Director, Process Technology Division at Alfa Laval, Inc., 2012)

#### *4.7.2. The Sales companies’ stakeholders*

Adding on to the customer demands mentioned above, Alfa Laval are experiencing inquiries about the manufacturing of products and a raised interest in factors such as energy efficiency of their products. In the U.S., government initiatives are launched with specific demands on domestic material and labor requirements. These demands however, range from a more protective agenda, for example that 50 % of employees in a certain project need to be situated in the U.S. and that the manufacturing should take place within the U.S. Nevertheless, demands of this kind can result in either costs or higher margins, depending on competitor offerings, since customers need to pay for components made of U.S. material and labor rather than a mix of several origins.

*”When government funded [...], it says in their terms that they only purchase from suppliers that have nothing to hide.”*

(Director, Process Technology Division at Alfa Laval, Inc., 2012)

Even though Alfa Laval try to reduce their emission, some situations might cause CSR issues related to environmental care to be compromised by other factors, such as delivery time. If a manufacturing process is delayed, the regular use of cargo shipping might be changed and goods will be transferred through airfreight, although cargo shipping is both less harmful to the environment and cheaper. Although Alfa Laval try to reduce their use of airfreight by better planning and knowledge of delivery time, they sometimes have to make exceptions in order to satisfy their customers.

*”When the factories are late, and really late, with something, and the customer is jumping up and down, there is no alternative, we have to put - they expect us to put - [the goods] on air freight, and not on a slow boat [...].”*

(Director, Process Technology Division at Alfa Laval, Inc., 2012)

#### 4.8. CSR at Alfa Laval

*Information in the following section is based on interviews with Corporate Social Responsibility Manager David Ford, if no other reference is cited.*

Management at Alfa Laval has recognized a paradox in the focus of CSR issues, where the best way to make an impact may be through choosing a narrow focus, but this can also result in critique for not engaging enough in other areas. The other possible option for engaging in CSR is to have a wider scope of engagement although this might lead to resources being more thinly spread. This means less of a possibility to contribute to any area chosen due to lack of focus and resources.

Alfa Laval seems to be one of the few Swedish companies that considers defining specifically what they are *not* going to do in terms of CSR; that is, making the distinction of what areas of CSR that are actually relevant for them to work with. This can be a rather controversial and difficult path to take, since it might result in criticism for not showing enough interest. To avoid this and make sure that the whole organization is on the same page, the CSR Manager is currently revising the focus points of CSR and the corporate Business Principles, based on a dialogue with

stakeholders. In the 2011 Progress Report published on Alfa Laval's webpage, he encouraged anyone with an opinion contact him:

*“Can you help us? We would very much welcome your opinions, ideas and suggestions, on the future direction of our Business Principles, whether you are a customer, shareholder, employee, student, Non Government Organization, ethical fund analyst, rating agency, local community member or any other stakeholder. Simply email [...].”*

(Progress Report 2011, Alfalaval.com)

In the present time there have been no responses to this inquiry, and Alfa Laval have therefore yet to decide what the revised focus of CSR efforts and Business Principles should be. The CSR Manager mentions a range of areas he would consider as possible directions to employ:

*“It is too early to decide on the focus - but it could be: Improve energy efficiency of our factories; Reduce water consumption of our factories; Develop Life Cycle assessment of new products; Focus on Human rights in our supply chain in countries of high risk, with a particular emphasis on supporting organisations that help improve water supply to communities in water shortage areas of the World.”*

(Corporate Social Responsibility Manager at Alfa Laval, 2012)

Regardless of the focus of Alfa Laval's CSR efforts, it has been agreed upon by the CSR Manager and the Head of Communications that Alfa Laval's approach to reporting on sustainability measures is to tell it as it is, and to be humble and quiet about their efforts. This approach derives from a consideration that sustainability is about continuous improvement, using natural resources better and having less impact on people and society.

*“In the long run, we sort of know that [...] we are running a marathon, we are not running a 100 meters, this is running a marathon.”*

(Corporate Social Responsibility Manager at Alfa Laval, 2012)

#### *4.8.1. The CSR environment*

Alfa Laval has earlier chosen to put emphasis on their work with energy usage reduction, since this is aligned with the products Alfa Laval make. Furthermore, the corporate identity of Alfa Laval is to a large extent about increasing energy efficiency and the pride in knowing what materials are used in their machines and plates. In addition, they work continuously with using resources more efficiently through their products as well as within their factories. One way of doing this is through evaluating where the efforts would make the most difference, and use resources to improve those factories. In a factory development program, Alfa Laval recognized that out of 100 reporting factories, eleven made up 80 per cent of the energy consumption. Hence, these were chosen as the entities where the resources for improvement would have the most impact.

The humble communication strategy mentioned above is also a result of the perceived dilemma of CSR that companies have to find things that are not sufficient and fix them. In other words, companies have to acknowledge that they have discovered a possibly troublesome gap between their business principles and reality. The problem with informing about a gap before assessing and closing it means that the communication initially could provide a sort of reversed PR, which is contradictory to the general desire of using CSR as an added value. On the other hand, only communicating what the company is good at also provides a risk of becoming satisfied and slow down the pace of improvement. To solve this dilemma and keep stakeholders satisfied, Alfa Laval annually publish both a Sustainability Report and a Progress Report of their CSR efforts.

Although information is already available in the Sustainability and Progress Reports, Alfa Laval experiences a large amount of customer inquiries, which raises questions of the actual use of reporting. In the present situation many of the most complicated inquiries regarding CSR are aimed towards the CSR Manager, either directly from external stakeholders or indirect via the Sales departments, where the employees are not confident enough to answer the questions themselves. This results in a large amount of double work for the CSR Manager, since he needs to produce the reports as well as answer to inquiries by filling in customer forms. In order to avoid this, and hence save resources, Alfa Laval are currently developing a sales force education project

to educate the Sales department and provide them with the information they need to answer these customer inquiries themselves.

Another difficulty of using CSR as measurement is its subjective character. Since all companies are expected to act responsibly, comparing sustainability actions is difficult. Also, in comparing sustainability people rather seem to look at the design and outline of the report than the content.

*“You could say ‘we’re more profitable than you’. You could say ‘we’re growing faster than you’. ‘We won the 100 m race, in front of you’ – that’s clear. Did we run with a better style? [Laughs] Now we’re in the subjective area.”*

(Corporate Social Responsibility Manager at Alfa Laval, 2012)

#### *4.8.2. Stakeholders of CSR*

For Alfa Laval, it seems to have been investors rather than customers who have brought up CSR issues in the past. However, the CSR Manager has noticed an increase in inquiries from customers, and more specifically from customers who are also MNEs. Customer inquiries can also be the provoking factor for investigating issues further, as in the case of the 3TG minerals and the U.S. customer.

*“Now, more and more, the customers with a focus on CSR are themselves multinational enterprises: [two peer industry companies] in particular. Conflict Minerals has only been raised by [one of them] so far.”*

(Corporate Social Responsibility Manager at Alfa Laval, 2012)

In a similar way, when Alfa Laval is the purchasing customer, for example when investigating new suppliers, they have certain criteria that they will look into. Judging from earlier experience, depending on the intended relationship, they will look at the financial security of banks and for a technical product supplier, they will look at technical competence, capacity, certification and CSR, rather than a sustainability report before making a decision. This shows that CSR reporting,



as a criterion cannot stand by itself when choosing business partners. However, the minimum level of acceptance for all suppliers is that they can agree on Alfa Laval's Business Principles.

According to industry actors, the interest for sustainability has been present for decades, but is of a general focus now because of the interest in the climate change. In addition, it is difficult to make a clear distinction of whether initiatives are economically or environmentally driven. The CSR Manager calls it *environmental economics* – “if oil prices go up you want to find alternatives”. Alfa Laval, together with other industry actors, considers themselves to have worked with CSR for a long time. Still, they discuss the arguments and the real use of it in business.

*“...[Industry sector peer companies] and Alfa Laval, when we were around the table we said, we were all questioning, what are we doing CSR for? What is CSR? We've been doing it for some time, and it's going back to the basis and saying, questioning ourselves, saying... And I think the conclusion those three companies drew is that we've been reacting, and now we're starting to say "OK, are we reacting where we really need to be... well 'proactive' is not the right word, because we're making proactive improvements in reacting.”*

(Corporate Social Responsibility Manager at Alfa Laval, 2012)

#### 4.8.3. CSR and Conflict minerals

The initial reaction to the customer inquiry about conflict minerals was to make sure that Alfa Laval do not have any of the minerals in their supply chain. However, through leaving an area and moving business away, companies will not solve the problem but instead risk causing more harm. This view is also expressed by several NGOs working in the area, warning that companies moving business away will lead to forcing legitimate family businesses out of work. Alfa Laval's initial step was to contact one of their supplying partners, to gain their perspective of the sourcing. The supplier was then encouraged to provide information regarding their sourcing of the 3TG minerals, to be able to discuss the issue further. However, the specific issue of conflict minerals does not seem to be a priority at Alfa Laval due to the very small amount purchased. Also, the

vast resources needed to trace the source of the raw material are another hindrance for engaging further with this issue.

*”Alfa Laval’s consumption of these is tiny. We’re not a big industry, we’re not a big company in the eyes of the smelter, we don’t use very much of it so what influence will we bring to there? Maybe we’ll ask questions to suppliers, and sort of encourage them [...]. But to get us to trace our minerals all way back, is to be honest beyond my imagination of how we’d do it. But... if we have to do it we will.”*

(Corporate Social Responsibility Manager at Alfa Laval, 2012)

## 5. Analysis

*In this section we will combine earlier research with information from the case of Alfa Laval. We aim to connect existing theories with Alfa Laval practices, showing problems, tools, similarities and differences as well as new findings. We have structured our analysis around the earlier mentioned four propositions to get an overview of opportunities and challenges with CSR.*

Increased awareness of environmental and social issues has changed the prerequisites of industrial companies' business making. On one hand, it puts more pressure on companies taking responsibility for their actions and their business. On the other hand however, more awareness has also increased the possible benefits of working with CSR. We have identified factors that complicate the sense making, organization, communication and control of CSR and hence result in less motivation and energy to work with these issues. Through being aware of the possible problem areas and prepare for future difficulties we think that companies can work more efficiently with CSR and make it an integrated part of their strategy.

When it comes to sourcing, the organization as a whole seems to have a similar approach to the issue. In the interviews, it was clear that people in Purchasing, Sales and Operations saw the last tier of suppliers as responsible for the chain of companies before them. Even though this approach could raise criticism, the opinion seemed to be that this was a necessary delimitation to make due to the very large number of suppliers and the vast resources needed to control them. In the specific case of the 3TG minerals, Alfa Laval is placed far down in the supply chain and hence far away from the actual mining. This fact, combined with their small usage of these minerals in their products has lead to their seemingly passive approach.

### 5.1. P1: CSR strategies are based on internal corporate interest rather than external pressure

To be able to assess this proposition, internal and external stakeholders and their preferences regarding the focus for CSR for Alfa Laval have been accounted for. Even though literature

highlight the benefits of having a focused and rather narrow approach to CSR efforts (Porter & Kramer, 2006), the CSR Manager still points out the risk of facing critique from certain stakeholders. It was to avoid some of this risk that the CSR Manager printed his inquiry for feedback on CSR focus in the 2011 Progress Report, to in that way be able to structure the influence and input ranging from different stakeholders. However, no matter the focus, it is still necessary to keep a basic level of engagement and effort on all of the questions that the market and the company itself demands, which the case depicts through the usage of corporate Business Principles and adapting guidelines such as the UN Global Compact, OECD Principles and ISO-standards. Hence, revising the Business Principles while updating the main focus of CSR efforts can be a way to both enhance the focus and complement it in order to meet basic requirements.

Carroll (1991) states that in any given issue, companies should aim to satisfy their primary stakeholders while still paying attention to the other stakeholder groups. The inquiry posted in the 2011 Progress Report is aimed to anyone that is interested, however, as pointed out by Porter and Kramer (2006), an outsider can never have the full view of the company's prerequisites. The CSR Manager has highlighted a few areas that could potentially be the next focus point for the CSR efforts and the updated Business Principles, which could be viewed as desired or practicable directions to take. Based on the limited understanding that any external stakeholder will have, it can be expected that the feedback will not change this dramatically, but rather highlight issues that Alfa Laval should bear in mind.

The different departments of the company provide linkages into the organization for external pressure. It seems that other parties want to influence their handling of CSR related issues in the direction of their own values, which is expressed through customer inquiries about sourcing and audits of factories. As mentioned by Salam (2009), the external pressure is a strong driver for CSR initiatives in the supply chain. In the case of conflict minerals, the U.S. customer put the demand on Alfa Laval to investigate their sourcing; a demand that in turn was put on the U.S. customer by the U.S. Government in the form of the *Dodd-Frank* act. This means that an actor affecting the supply chain does not necessarily have to be a part of it.

As explained by Du et al. (2010) company positioning within CSR will also affect the attention that stakeholders pay to CSR communication and the perceived authenticity of CSR work. Alfa Laval chooses to communicate their CSR work not only through a Sustainability Report, but also through a yearly Progress Report that focuses on these issues. The CSR Manager at Alfa Laval explains that their tactics in reporting is to be humble about what they do, so that they always leave room for improvement in order to be trustworthy. According to Luo and Battacharya (2006), CSR can be used as a key factor for positioning if managed properly.

The main means of controlling CSR related issues in Alfa Laval's supply chain are auditing and investigating suppliers in the first tier, hence those that are closest to the company. Although, as explained by Ford et al. (2011), business is about networks, our findings show that the control is focused on the last supplier rather than including the whole network of business relationships. To simplify the process of keeping track of suppliers and the supply chain, the way Alfa Laval sees it is that the last supplier is therefore responsible for all parties before them in the chain. In the same way, Alfa Laval is responsible for everything that has happened before their product reaches the customer. As Huemer (2006) explains, a company can have one or several types of interdependencies and they need to be handled in different ways. While creating value, the interdependency can also provide challenges. Companies are also dependent on actors earlier in the supply chain and need to be responsible for their actions. Particularly interesting is that all actors seem to be aware of the difficulties associated with tracing goods further upstream, but they still accept the assurance of their suppliers. This interdependency creates a lot of responsibility for the last actor facing a customer who then has to trust all the upstream actors, especially regarding more sensitive questions that are outside of their control. Thus, companies need to keep track of what their partners are doing in order to reduce risk and hedge against severe damage.

As the Director of the Process Technology Division pointed out, when a problem occurs at a customer, they hold Alfa Laval as responsible even though the problem might be caused by something outside of their control. Everyone demands that the upstream counterpart takes responsibility although responsibility is in reality divided between several actors. To limit the extent to which they can be held responsible and financially accountable for problems arising at

their customers, Alfa Laval avoids taking contracts where the economic consequences of insufficient quality on components will be unreasonable.

The organization seems to have a good understanding of what the priorities are within Alfa Laval. However, when it comes to CSR, the reasoning and the efforts do not seem to be completely understood throughout the Purchasing, Sales and Operations departments. As described by van der Ven (2008), communication has a binding role between the different views of the company and is what makes a consistent and successful strategy. Naturally, the CSR Manager possesses a wider image of the issues faced and has set the agenda for the corporate strategy for CSR. This individual attitude to CSR is important in order to develop a strong strategy, as argued by Salam (2009). The impression gained through the interviews though, is that it has not been thoroughly communicated to all departments within the company. This is also proven by the large amount of customer inquiries and forms sent to the CSR Manager from other employees who have received them from external actors but are not confident enough to answer them themselves. Webster (1992, in Salam, 2009) recognizes the importance of coordinating the functions of Purchasing and Marketing in accordance with the corporate CSR strategy in order to manage external pressure.

Alfa Laval is not a big buyer of 3TG minerals, which is one of the explanations for the somewhat limited engagement in the issue. However, since they are functioning in a larger network, as described by Ford et al. (2011), they have potential to influence other actors and hence affect the way that the market of minerals can develop.

Summing up, CSR has to create value for both the company and stakeholders. This is rather complicated since stakeholders have differing views of CSR ranging from their own strategy as well as from their stakeholders respectively. Our view of the first propositions is that both the internal interests and the external pressure must be taken into consideration, since they are integrated. If external pressure would be disregarded, the internal decisions would not make sense in a larger context. In the same way, only listening to stakeholders when formulating CSR strategy could result in unfocused measures that are not in line with the main business.

## 5.2. P2: The lowest level of acceptable corporate responsibility is based on legislation

One of several factors influencing the CSR focus, as suggested by Hazlett et al. (2007), is legislation. According to Carroll (1991), the economical and legal demands make up the most fundamental level of corporate responsibility. The international context that MNEs function in can result in a complicated balance between corporate and legal requirements. For Alfa Laval the complexity of different demands becomes evident on the Chinese market where legal requirements are lower than corporate Business Principles. In this case, the Business Principles become the basic level for operating in China and the point of departure for working with suppliers. Another piece of the puzzle are the international standards and guidelines that provide actors with a joint set of fundamental rules. If applied properly, the OECD report and other similar publications could make it possible for companies to be prepared for stakeholder inquiries and in advance formulate a strategy to work on these issues. In spite of this, the readiness for new issues seems to be low, as exemplified by the reactions to the customer inquiry for sourcing of 3TG minerals. This implies that issues gain importance once customers start to demand answers or efforts.

The problem of sourcing conflict minerals is somewhat regulated via legislation, but these rules only state that companies should acknowledge the issue through reporting on their efforts for inquiring into their due diligence. Based on their interpretation of the legislation, purchasing companies still have some individual freedom to act in the manner they consider appropriate. The easiest way out seems to be to move the sourcing to countries that are not affected by the conflict. However, the more responsible option would be to work with the problems at hand, taking more of an ethical or philanthropic role making sure to use the 'right' supplier in the DRC, as suggested by Swedwatch. At Alfa Laval, we noticed a legal interpretation that could lead to the first option of action, although the law does not explicitly demand this, but rather suggests a constructive approach. Regardless of whether this is a misinterpretation or an active choice of taking the easy way out, there is a consequential risk that the act will not reach its desired effect.

Alfa Laval's Business Principles were initially formulated to describe the values and goals of the company on a general level. They were also shaped to reflect the UN's and OECD's

recommendations (Business Principles of Alfa Laval, 2003). The newly published OECD guidelines on the specific issue of conflict minerals have hence not been assessed. Through their customers and shareholders Alfa Laval experience an increasing need to examine the supply chain and find possible risks. Stakeholders are also demanding information concerning sourcing of materials and the follow-up on sensitive issues, indicating that it is necessary to systematically work with these issues. The OECD guidelines are proposing measures that are recommended for the sourcing of conflict minerals and some of them are already included in the way Alfa Laval works with their suppliers, for example to assess risks in their supply chain. However, implementing them especially for conflict minerals would also include a due diligence strategy that requires the engagement of third party actors for auditing as well as cooperation with other actors in the supply chain. The optimal assessment of this issue is stated by the OECD but has not yet been fully implemented. This could probably be explained by the limited engagement ranging from the small usage of this specific raw material, as well as the fact that the legislation only has an indirect effect on the company.

Another challenge for Alfa Laval is to realize that issues not regulated by law today might be on the agenda due to governmental actions or media interest in the future. Companies in their position can benefit from having strong business ethics that does not differ depending on the country they are acting in. Since CSR, suggested by Roberts (2003), can especially affect corporate reputation, an inconsistent approach could affect and harm the corporate brand globally.

Summing up, and similar to the discoveries found during the investigation of the first proposition, being prepared for future changes is crucial. Through planning ahead and observing stakeholders the company can handle possible risks and their consequences. Our view of the second proposition is that it can be disregarded due to the fact that corporate business principles in some cases are stricter than national legislation. However, in a wider context, the balance between corporate and legal requirements is far from uncomplicated and in the more extreme cases, companies might have to challenge the legalization and hence contribute to extensive changes.

There is also a division between breaches against the business principles that are unacceptable and exceptions that can be tolerated due to the limited ability to affect the external environment. An



unacceptable issue is child labor, which is not accepted regardless of the social structure of the society the company operates in. Another, not as obvious example is how companies handle an issue such as child labor and whether they move their factories or try to contribute to a social development.

### 5.3. P3: Price and quality are superior to CSR in B2B business making

CSR initiatives are, to a larger extent than price and quality, characterized by going beyond the necessary, hence doing more than is expected, as described by the philanthropic level of Carroll's pyramid (1991). In this reasoning, CSR means more than meeting legal and even ethical requirements, but rather doing something extra that benefits stakeholders and society. Since other commonly known business logics rather require firms to be *just in time* (JIT) or *lean*, this approach could presumably cause a clash.

It is easy to think of CSR as just another thing that must be done, adding to costs more than revenue, although some researchers such as Porter and Kramer (2006) claim that it is instead of a value-adding nature. For Alfa Laval the strategy has been to try to prioritize also within CSR, choosing to focus mainly on environmental issues, such as energy efficiency and water reduction. The choice has been based upon the possibility to have impact on the issue and the fact that it is aligned with their business idea to provide products that save energy. This strategic approach is considered to be effective according to recent research made by Du et al. (2010) and Porter and Kramer (2006), since it is consistent with the company culture and identity. The benefits of developing a strategic approach to CSR, as discussed by Porter and Kramer (2006) is that it can facilitate both external and internal sense making of CSR, as well as providing more credibility to the efforts and build a stable development to make it work in the long run. However, the relatively narrow focus could open up for critique and Alfa Laval could be accused for taking the easiest way out or not engaging enough in other questions that are of a more sensitive nature.

In order to choose a certain focus, managers can be motivated by a possibility of contribution to the overall good of the company as well as to the cause chosen. When the choice is not *if* a company should do CSR but rather *what* should be done, the risk of either being too shallow or

too focused arises, resulting in a paradox. Discussed by the CSR Manager; a company can choose to handle a lot of different CSR initiatives, having resources being spread out thinly or choose a few certain issues to focus on, which means they will indirectly drop others. In both cases companies risk to face critique for either not being focused and providing enough resources to any matter, or for not engaging in the specific issues they have chosen not to prioritize.

That companies to an increasing extent care more about factors that go beyond the basics of price and quality can be seen at Alfa Laval, both through their own and their customers' requirements. They experience customer inquiries about for example energy efficiency and source of origin for both production and raw material. However, it is difficult to distinguish whether this is due to an interest in sustainability or just a concern to increasing efficiency in their production or get more governmental support. Adding on, CSR can be difficult to control due to its subjective nature. The CSR Manager explains that CSR can be hard to measure, compared to other performance factors. However, as described by the Managing Director of Operations in China, social and ethical factors are also fundamental when deciding to work with a supplier. Alfa Laval will not accept suppliers that are not able to live up to these principles, and will not lower this bar in order to get a better price.

According to the Global Strategic Purchaser interviewed, the right price is not the main priority, which goes well together with Gadde and Håkansson's findings (2003, in Ford et al., 2011) that purchasing is also about other benefits of the transaction. Explained by the Director of the Process Technology Division the most sustainable business option needs to sometimes be weighted against factors such as delivery precision. The example brought up is the transport of goods, where deliveries are usually carried out through cargo shipping, but changing to airfreight will occasionally be necessary. The criterion of delivery precision is superior to the environmental aspect in this case and delays cannot be accepted, although Alfa Laval aims to perform all transports in the most environmentally friendly way. For Alfa Laval it is hence important to be considered as reliable company that can provide their purchasing partner with the agreed terms of delivery, one of the benefits of a transaction also mentioned by Gadde and Håkansson (1993, in Ford et al., 2011). Burt (1984, in Narasimhan et al., 2001) also emphasizes cost and quality in combination and in the same way products that can be assured to be of a better quality can be

worth a higher price for Alfa Laval, since they cannot risk to be held responsible for low standards.

Summing up, within the world of business resources are always limited and hence CSR needs to create value in order to receive attention. In addition, there are a lot of choices around CSR and companies need to find their focus. Alfa Laval have several other strategic issues on the agenda and CSR can risk to be less prioritized in comparison to quality and delivery precision. Our view of the third proposition is hence that it can be somewhat confirmed, since quality, including delivery precision, at the right price seems to be the most favored element. However, this is valid only as long as business principles are fulfilled. The dilemma is that it can be more difficult to control sourcing than quality since working conditions is not transmitted onto the products in the same way as problems of a more mechanical nature. There is also a broad understanding within the industry that tracing is complicated and that a supplier can only guarantee to do their best to control and follow-up.

#### 5.4. P4: CSR can become an additional factor in the marketing mix

At Alfa Laval we see a connection between the overall strategy and the choice of focus for CSR, as suggested by Porter and Kramer (2006). According to Porter and Kramer (2006), CSR provides the most benefits when linked to the company core business, a so-called *integrative* approach. For Alfa Laval, the focus on sustainable use of resources is consistent throughout their product portfolio and it is also what they chose to focus on in their communication, as seen in the *Pure Performance* campaign (see Appendix 2). Their customers are offered products that save energy and hence also save resources. The question is then whether CSR should be looked upon as a separate factor or an integrated part of the others.



Fig. 5.1: CSR representing an added piece to the Marketing Mix

The view of CSR as an integrated quality measure seems to not always be recognized in B2B, although earlier research also suggests developing CSR for maximum impact on the company and society (Milliman et al., 2008) while in line with the company's reality and identity (Smith, 2003; van der Ven, 2008). For Alfa Laval this includes knowledge about the industry as well as the choice of what to focus and what not to focus on. The CSR manager at Alfa Laval explains how business is characterized by their products' efficient use of energy, which can hence help other companies to take responsibility. In this reasoning, Alfa Laval has always been in the business of increasing energy-efficiency and reducing waste while at the same time reducing costs. In that sense, CSR is not a new parameter; it is just another way of seeing it. What has been driven by economic purposes for a long time can now also be labeled as CSR.

Since Alfa Laval is acting in an industry with a focus on the environmental aspect of CSR, this might be the most natural strategic distinction to make. Their goals of a sustainable development, efficient use of energy and healthier food production can be aligned with what stakeholders and society consider relevant and environmental friendly. This can also work as a way to spread the internal sense making of CSR work, since the organization is already used to working with these goals in mind. Hazlett et al. (2007) also point out that when CSR is connected to the overall strategy and processes, it could ease and enhance quality management, hence affecting the impression of the products positively.

Also, the sustainable reputation can probably give an extra value to the products in competition with other companies (Roberts, 2003). Argued by Andreasen (2008), B2B companies can also use CSR communication to assure stakeholders about their social mission as well as informing them about their core business. Through using their engagement in energy efficiency, for example in the *Pure Performance* campaign (see Appendix 2), Alfa Laval shows stakeholders not only their core business but also their areas of concern and focus. Communication can be considered key since it enables companies to deliver a message both internally, by affecting the thinking and strategy, and externally, to suppliers and customers, depicting and directing the way the company should act.

The CSR Manager expresses that traditional reporting does not seem to reach relevant stakeholders such as customers, implying that it might need to be complemented with other measures. The program for educating the sales force in Alfa Laval's CSR focus is one way of integrating CSR with the products sold. It is also a resource saving measure for the CSR Manager, as the employees who are in direct contact with the customers can respond to inquiries without consulting him internally. With less time for answering customer inquiries, more efforts can be put on the actual CSR work.

Summing up, companies need to have a consistent view and handling of CSR and in order to make it work effectively, it is preferred to make CSR an integrated part of the business. This approach also reduces the view of CSR being simply an additional cost. If managers would instead adopt the view that CSR adds value to the already existing parts of business it might be of a higher priority. Based on the reasoning above, CSR can to a certain extent be found in all of Alfa Laval's business parts or processes and ethical sourcing can provide benefits such as increased trust among stakeholders. Our view of the fourth proposition is that it can be disregarded, since CSR should rather be seen as an integrated part to provide the most value. The suggested approach of integrating it in existing models (Gentili 2003, in Hazlett, 2007) can be partly seen in Alfa Laval's strategy for engaging in new relationships, in the way that those who cannot comply with the Business Principles are not chosen as suppliers. However, the question is also affected by the organizational structure of the company and the resources available to spend on coordinating CSR measures.



Fig. 5.2: CSR as an integrated part of the Marketing Mix

### 5.5. Managerial implications: from expected to extended responsibility

Although companies make a strategic decision for CSR focus and base these decisions in their core business, they have to be prepared to be questioned. The business principles can work as a way to make sure that a basic level of responsibility is reached in all the necessary areas, and hence allow for a focus to be chosen. A new approach to responsible sourcing could include cooperating with peer companies in the business network to demand more transparency or actions in problematic sourcing situations. Another option could be to support suppliers to secure their supply chain further back. Such an *extended* responsible approach might require companies to sustain their corporate business principles although legislation might require a lower level of responsibility being taken.

Generally, theory suggests that it is preferred to have a systematic approach to CSR and to integrate it in business processes. A more specific learning from this case is that business principles can be complemented with due diligence guidelines. Another way of doing this is through showing a consistent engagement throughout the product catalogue, as well as in acquisition strategies and information to stakeholders. This can also increase reputation and have positive effects on the corporate brand (Roberts, 2003).

## 6. Conclusion

*In this finalizing section we present problems and possible insights as well as implications for further studies. The conclusion is based upon the research question.*

The purpose of this study has been to describe the challenges that industrial B2B companies meet concerning CSR when acting in an international environment, and thus how they are affected by various stakeholder demands. This has been done through an accounting of present theories within the field of research combined with an investigation of a case provided by Alfa Laval and their reasoning around issues in their supply chain.

The initial research question was:

*How can an industrial company balance their CSR strategy with stakeholder demands?*

The initial problem originates from stakeholders wishing to influence corporate actions in different ways, making it difficult for managers to know what opinions to take into consideration. As stated by Porter and Kramer (2006), stakeholders will form opinions about the company and their actions without fully knowing the internal prerequisites. In addition, stakeholders can be influenced by each other, which is shown in the case through the customer demands originating from governmental action. Companies therefore need to recognize the importance of keeping a dialogue with their stakeholders and monitor their actions, as well as thinking one step further to find the issues that might affect actors in the business network, hence leading to indirect influence on their business environment.

Limited resources and the view of resources distributed to areas within the company as a zero-sum game can complicate the use of CSR. Therefore, instead of labeling it as yet another resource demanding activity, a preferred view could be to see CSR as an integrated quality dimension in the marketing mix. Our study has shown that CSR to some extent already is integrated in both the purchasing and sales processes, through the business principles. This approach can be further developed in order to make companies view CSR as an added value rather than a cost.

Another issue to consider is in what ways companies can contribute the most. Since large corporations can affect the markets they act in through their policies and engagement, MNEs' engagement in an issue can have an impact on societal development. At Alfa Laval and among their stakeholders there seemed to be a difference between the actual legislation of conflict minerals and the general interpretation of it. Thus, without clear instructions companies risk to act in a way that makes the situation worse. Regulations of this kind could therefore benefit from being more to the point to reach the desired effect of not contributing to a negative development in the DRC.

Although management might have a clear view of the corporate CSR strategy, it might be complicated to communicate throughout the organization. Through the investigation a gap in knowledge between the CSR Manager and the departments represented has been recognized, as all employees are not completely aware of Alfa Laval's CSR efforts. Expecting that this issue is not limited to Alfa Laval, or even industrial B2B actors, the importance of internal communication should not be underestimated. This is especially important when responding to critique ranging from the strategic and narrow choice of focus. All employees need to know how to respond to inquires and how to motivate the limitation made when outside pressure increases.

To a certain extent companies can act in accordance with the expectations put on them. However, stakeholders will have differing expectations and the strategy will hence include choosing who to listen to and why. It should also include a consideration of what actions that suitable or what the company is able to achieve given the limited resources available. Adding on, the reason behind extended responsibility is often customer demands, which in turn range from legislation, corporate culture or guidelines. In this context it can be difficult to determine where the corporate responsibility starts and ends, as well as what the source is.

If companies can identify the correct processes and the crucial factors to observe, they also need the proper resources and knowledge to control and correct them. The supply chain needs to be controlled in an organized manner and the responsibility for this has to be divided between different departments. Possible problems need to be identified and plans for responsive or



preventive actions need to be known within the organization. Through taking a responsible approach, companies can be considered to move higher in the hierarchy of CSR, towards the ethical and philanthropic layers of Carroll's pyramid (1991). In the case we found that corporate guidelines, such as business principles, can be stricter than legal requirements in certain countries. Based on this, companies that act in contexts where the legal requirements are not enough to satisfy their stakeholders or business principles can go beyond the necessary, adopting an extended approach to responsibility. In these situations companies thus take a larger responsibility than expected.

### 6.1. Suggestions for further research

In order to develop a more thorough understanding of the issue of sourcing, a company that is directly affected by the legislation could be relevant to investigate. It could also be interesting to look at a company that has implemented the OECD Guidelines for sourcing to see if this can be considered as best practice and what distinct their actions from other corporate policies.

Another interesting investigation to make would be the involvement for materials that are at the core of a company's business. In the example of Alfa Laval, researchers could look into the possible problems and its consequences in purchasing of steel, which is the most used raw material for their industry.

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## Appendix 1: Interview Guide

Presented below are the main questions asked during the respective interviews. Since the interviews were semi-structured, the order of the questions was adapted to the situation and follow-up questions were formulated during the course of the interviews. Questions were sent to the respondents beforehand in order to let them prepare, and were recorded with permission of the respondents in order to secure proper understanding. Complementing questions were answered via email. All interviews began with a short presentation of the thesis project, and the respondents informing about their role within the company.

### **Global Strategic Purchaser, Johan Fröjdh (Meeting 2012-03-16)**

1. How or by what is purchasing in Alfa Laval regulated?
2. What is the main priority in purchasing?
3. To what extent is Alfa Laval able to track raw materials such as minerals?
4. Can you affect acting in companies earlier in the supply chain, and if so in what ways?
5. What do you think is the main responsibility of Alfa Laval? What could be a motive for going beyond this main responsibility?
6. What kind of initiatives for responsible behavior have you noticed from other departments or from actors outside of the company?
7. Is there an interest for Corporate Social Responsibility in your business area within Alfa Laval and among your suppliers? If so, how does it affect your work?

### **Manager, Global Purchasing, Mitul Sawjani (Phone 2012-04-03)**

1. How and where is tungsten used in Alfa Laval's products?
2. How has the Dodd-Frank affected the purchasing of tungsten?
3. What does the purchasing process of tungsten look like? From where do you purchase tungsten?

4. Are there any ethical sourcing initiatives for the purchasing of tungsten? If so, where do these come from, and what do they look like?

**Director, Process Technology Division, Klas Abrahamsson (Phone 2012-03-20)**

1. What are the main customer requirements?
2. What could cause Alfa Laval to loose customers?
3. How do customers interact with Alfa Laval?
4. What do you think is the main responsibility of Alfa Laval? What could be a motive for going beyond this main responsibility?
5. What kind of initiatives for responsible behavior have you noticed from other departments or from actors outside of the company?
6. Is there an interest for Corporate Social Responsibility (CSR) in your business area within Alfa Laval and among your customers? If so, how does it affect your work?
7. Have you noticed a change in behavior from customers since the introduction of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* in 2010? If yes, how and why?

**Managing Director, Operations China, Magnus Hartlen (Phone 2012-04-17)**

1. What is your and Operations' role within the organization?
2. How do you coordinate customer demands with the departments responsible for manufacturing and Purchasing?
3. How can 'hard' demands, such as quality and costs be balanced with 'soft' values such as sustainability and human rights?
4. From where and what actors do you experience demands?
5. Do you have any experience from other markets than the Chinese? If so, do you experience any differences regarding priorities and demands on your business?
6. Is there any interest for social responsibility within your working area at Alfa Laval and/or at the departments or actors you are in contact with? If so, how does it affect your work?



### **Corporate Social Responsibility, David Ford (Meeting 2012-02-08)**

1. Who generally raises CSR issues Alfa Laval need to consider?
2. How did Alfa Laval first come across the issue of the conflict minerals?
3. When encouraging stakeholders to provide you with input for CSR focus, do you have any expected result of this inquiry? Have you gotten any reactions yet?
4. What should be the focus of CSR for Alfa Laval in your opinion?
5. How will you handle the issues you choose not to focus on?
6. Could you tell us about the project of educating the Sales force about Alfa Laval's CSR efforts?

## Appendix 2: Pure Performance campaign

Below are two examples of the advertisements run in the 2004 *Pure Performance* campaign, made by the advertising agency Ehrensträhle BBDO.



Bringing waste back to life

Waste water. Thousands of cubic meters of waste effluents run out into our environment every minute of every day. Only a fraction is currently purified. Major efforts are now being made to tackle this problem on a global scale. Dealing with effluents through recycling has become a matter of survival. Alfa Laval has unique knowledge of the art of distilling the best. We offer expertise and responsibility on water-treating technology and we are continuously developing our product range to deliver complete treatment systems. Increasingly, people appreciate that waste treatment is not simply a matter of complying with environmental codes, but rather a sound long-term investment.

**Pure Performance.** Sludge, Biotin, Oil, Chemicals, Glycol/water, Foodstuff, Steam, Pharmaceuticals. You name it, Alfa Laval is helping most types of industries to purify, refine and recycle materials and

to optimize the performance of their processes. Time and time again. Our equipment, systems and services are tried and true in more than 100 countries, helping to create better living conditions for all mankind. And a cleaner, safer environment. Everything we do revolves around that.

  
www.alfalaval.com



A natural drive

CH2OH. Or ethanol is understandable when detached from corn, wheat and other agricultural products. Added to the fuel mix, it's just not so well understood. Transformed into pure water and carbon dioxide in the combustion process. Drinking raw ethanol is the perfect atmosphere to require in that strong motor's reflex. Alfa Laval fits an important condition in

Pre-processing grade of life. We are the world leader in heat exchangers, evaporators, condensers and separators for almost all products. And we are prepared for the growing demand for more plants.

**Pure Performance.** Ethanol, Biotin, Oil, Glycol/water, Steam, Foodstuff, Steam, Pharmaceuticals. You name it, Alfa Laval is helping most types of industries to refine and improve their products and

to optimize the performance of their processes. Time and time again. Our equipment, systems and services are tried and true in more than 100 countries, helping to create better conditions for mankind. That's a natural drive for us.

  
www.alfalaval.com

# Internationellt företagande nyckel till utveckling

**Globala företags närvaro i utsatta länder är en känslig fråga. Men det finns ljusa sidor av att vara närvarande även på marknader med bristande respekt för mänskliga rättigheter, i alla fall om man vill delta aktivt för en hållbar global utveckling. Det svenska företaget Alfa Laval och intresseorganisationen Swedwatch har liknande åsikter om hur företag kan bidra till en bättre framtid.**

Ofta när man pratar om internationellt företagande i utvecklingsländer ligger fokus på hur företag utnyttjar svaga marknader. Det man lätt glömmer är att företag också kan påverka sin närmiljö positivt och bidra till utveckling. Ett företag som visar exempel på detta är det svenska industriföretaget Alfa Laval genom sina fabriker på den kinesiska marknaden. Globala företag måste förutom kundkrav och interna riktlinjer också hantera en mängd olika

lagstiftningar, vilka kan skilja sig mycket åt mellan de marknader de agerar på.

## **Ställer höga krav**

Magnus Hartlen är Managing Director på Alfa Laval's kinesiska marknad. Han understryker vikten av att ledas av företagets affärsprinciper, som sätter de grundläggande kraven för allt samarbete med leverantörer och fabriker. Dessa innebär bland annat arbetsvillkor som ligger på en klart högre nivå än vad den kinesiska regeringen anser tillräckligt. Han beskriver vidare att de sociala villkoren alltid är överordnade diskussioner om pris och kvalitet i arbetet med leverantörer.

Magnus Hartlen,  
Managing Director,  
Operations China på  
Alfa Laval

*Bild: LinkedIn*

- Om de inte kan ställa upp på våra affärsprinciper är det ingen idé att diskutera pris eller kvalitet heller. Vi accepterar inte en lägre nivå av arbetsvillkor för ett lägre pris.

Enligt den granskande organisationen Swedwatch gör flera företag ansträngningar för att hantera problemen i sina leverantörskedjor, men det finns också en risk att de överger områden där det behövs insyn och kontroll.

Istället krävs ett engagemang där företag ser till att minimera sin negativa påverkan och anta policys för att hantera eventuella risker i leverantörskedjan.

*” Vi accepterar  
inte en lägre nivå  
för ett lägre pris*

## **Komplex miljö att förhålla sig till**

För Alfa Laval gäller det att balansera flera olika faktorer för att kunna göra affärer på ett hållbart sätt.

- Vi har våra  
prioriteringar: säkerhet,  
kvalitet, leverans och sen  
kostnad. Men säkerhet



är alltid nummer ett, både hos oss och våra leverantörer, berättar Magnus Hartlen. Han berättar också att det finns vissa företag som ännu inte prioriterar arbetsmiljö för sina anställda men att Alfa Laval väljer bort dem som samarbetspartners. Även om det inte är en nödvändig begränsning att göra för företag på den kinesiska marknaden måste Alfa Laval som ett globalt företag hantera intressenter från en mängd olika marknader. Varken Alfa Laval själva eller flertalet av deras kunder kan acceptera de låga grundläggande kraven som ställs i många kinesiska fabriker.

*”Företag kan - och ska - sträva mot att vara en aktiv kraft i arbetet med mänskliga rättigheter och en hållbar utveckling*

#### **Uppföljning och kontroll**

För att kontrollera att kraven efterlevs gör Alfa Laval regelbundna auditeringar hos sina leverantörer. Det händer även att kunder kommer från olika delar av världen för att granska Alfa Laval i egenskap av leverantör. För sina leverantörer har man

ett poängsystem som uppdateras efter varje auditering där lägre poäng innebär mer frekventa besök, men också stöd för utveckling.

- Vi jobbar långsiktigt med våra leverantörer. Vi hjälper till genom att åka ut till dem och sätta upp planer för hur de ska förbättra verksamheten och bjuder in dem till våra fabriker för att visa hur vi gör, säger Magnus Hartlen. Han poänterar dock att Alfa Lavals kinesiska leverantörer i allmänhet håller en bra standard.

#### **En extern syn på företagsansvar**

Swedwatch anser att företag kan - och ska - sträva mot att vara en aktiv kraft i arbetet med mänskliga rättigheter och en hållbar utveckling. De trycker också på användandet av policies och business principles ihop med en transparent rapportering om det arbete man gör. För en positiv global utveckling krävs i många fall att företag tar ett större etiskt ansvar än det som följer av lagar.

*Av Maria Engström och Susanna Rydström*



*Karta: Canvasfabriken.se  
Grafik: Susanna Rydström*

*Här finns Alfa Lavals produktionsenheter:*

- Europa 15 st
- Asien 8 st
- USA 4 st
- Sydamerika 1 st

## **Alfa Lavals Affärsprinciper:**

- 1. Vi optimerar användningen av naturresurserna.*  
Alfa Laval gör en betydande insats då det gäller att minska miljöpåverkan från industriella processer.
- 2. Vårt grundval är respekt för mänskliga rättigheter.*  
Alfa Laval respekterar de mänskliga rättigheterna, såväl vad gäller företagets anställda som i samhället i stort.
- 3. Vårt uppträdande bygger på hög etik.*  
Alfa Lavals affärsverksamhet baseras på ärlighet, integritet och respekt för andra.
- 4. Vi bygger förtroende genom öppen dialog.*  
På Alfa Laval tror vi på öppen kommunikation men är försiktiga med att inte avslöja kommersiellt värdefull

*Källa: [Alfalaval.com](http://Alfalaval.com)*