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Corporate Social Responsibility (CSR) and Contract Manufacturing: exploring the Management Structures and Processes of Ethical Sourcing Practices

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ABSTRACT

The practice of focusing on core competences and outsourcing production to save costs, and the need to increasingly acknowledge social and environmental responsibilities along the value chain put brand-owning firms under opposing pressures that constitute a significant challenge. Corporate Social Responsibility (CSR) in supply chains is a well-studied subject, but the structures and processes brand owners use within the firm to manage ethical sourcing practices are not. The purpose of this qualitative study is therefore to describe and explore the management of ethical sourcing practices within organisations. Based on the investigations conducted on a number of cases chosen from the textiles and footwear industries, two distinct systems of managing CSR in sourcing, being either control-based or based on shared responsibility, are identified. The way ethical sourcing is managed within firms is found to be influenced by the number of suppliers, their location and the nature of the product in question.

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1   INTRODUCTION

"You can outsource your production, but you can't outsource responsibility."
Dr. Tim Connor, Oxfam Labour Rights Advocacy coordinator

1.1   Background

It is a well-known fact that many of today's multinational corporations (MNCs) have outsourced much of their production to contractors and suppliers (Dicken, 2007, p. 154-155). Contemporary popular belief within the international business community teaches MNCs to focus on the organisation's core competences and invest primarily in those activities along the value chain that are perceived as highly value-adding, such as R&D and marketing capabilities, rather than in manufacturing capacity (Kakapadse & Kakapadse, 2000; Ernst & Kim, 2001). Thus, many MNCs across various industries are today only brand owners who keep control over the design and the marketing of their products and have agreements over production with external partners.

However, simultaneously to the rise of outsourcing as a common and popular business practice, MNCs have experienced growing pressure from the general public, interest groups, trade unions and non-governmental organisations (NGOs) to submit to ethical codes of conduct (CoCs) with regard to their practices (Radin, 2004). Thus, in the last decade, corporate social responsibility (CSR) grew in importance (Harwood & Humby, 2008; Dicken, 2007, p. 538). CSR is by nature a broad concept that is difficult to define precisely. The European Commission sees CSR as *"a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis"* (European Commission, n. d.). The World Bank defines CSR as *"the commitment of business to contribute to suitable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for [international] development"* (World Bank, n. d.). In general, common features of CSR definitions are the concept of sustainability, the notion that CSR concerns environmental as well as social issues and the urge to take voluntary actions beyond mere legal requirements.

Regarding outsourcing and supply management, CSR implies that brand owners are today held responsible for any malpractice on behalf of their suppliers, which are often located in developing economies where there is access to favourable production conditions, e.g. inexpensive labour (Dicken, 2007, p. 155). Malpractices on behalf of such suppliers can take various forms, such as the use of child labour, working conditions that are hazardous to human health, wages below the minimum required by law and poor environmental standards (Krueger, 2008). In recent years, there has also been a growing pressure on brand owners to consider 2nd and even 3rd tier relationships, too, and accept to be held liable for practices that reach further back the value chain than their relationship with their contract

manufacturers and immediate suppliers (Amaeshi, Osuji & Nnodim, 2008). Therefore, many brand owners explicitly incorporate social and environmental criteria in buying and sourcing practices; a practice that Crane and Matten (2007, p. 388) call ethical sourcing.

In general, outsourcing, supply management, and CSR are subjects that have been well-studied individually in business-related research. The relationships between MNCs and their suppliers are well-studied, too (e.g. Egels-Zanden, 2007), with a focus on whether and how suppliers do or do not comply to the CSR standards imposed by the brand owner, and the mechanisms (i.e. monitoring and auditing) applied in order to achieve compliance.

Interestingly, little research has been conducted so far on the intra-MNC processes related to the relationship between supply management and CSR as functions *within* the brand-owning firm. Scholars have paid little attention to the structures and processes firms choose in order to link CSR with their supply management and practise ethical sourcing.

However, this is a particularly interesting topic to investigate. The need to outsource production to contract manufacturers that offer acceptable quality at the best (i.e. cheapest) price, and at the same time uphold CSR standards naturally puts a business under opposing pressures that create conflict. On top of that, outsourcing implies a loss of direct control since manufacturing no longer takes place in-house, while being held responsible for contractors' and suppliers' practices implies a need for some kind of control over their activities.

The purpose of this study therefore is to *examine and explore the characteristics of the relationship between CSR and supply management functions within companies that buy from contract manufacturers and identify possible reasons for the specific structures and processes used to manage ethical sourcing practices.* In studying management structures, working processes, division and allocation of responsibility, and motivation related to ethical sourcing practices, the authors hope to contribute to filling the research gap that exists with regard to how CSR is managed and interlinked with supply management functions within brand-owning companies that utilize contract manufacturing. The aim of this study is thus to take initial steps towards a theoretical conceptualisation related to management structures and practices dealing with CSR in supply management.

1.2 Thesis Disposition

After the introductory chapter, which is designed to frame the research topic and purpose in the context of contemporary developments in international business, the literature this research draws upon is presented, followed by a discussion of the method used in this research and a presentation and interpretation of the findings.

Chapter 2 presents the theoretical framework this study is embedded in, which consist of literature on purchasing and supply management, CSR, ethical sourcing and the structuring of organisations. The following section, Chapter 3, which discusses the method of research, introduces the concept of case study and explains how this research was designed, how data was collected and how it was interpreted and analysed.

Chapter 4 then presents the findings of this study. It begins with a detailed presentation of the investigated cases and the general findings that emerged from the interviews, describing how ethical sourcing is managed within the investigated firms. The collected data is then reviewed in an interpretative manner, moving towards a conceptualization that - based on the empirical findings- is designed to give a more general understanding of ways in which ethical sourcing is managed and to provide answers to why ethical sourcing is managed in these different ways.

Chapter 5 concludes the study, highlighting the main findings, discussing the limitations of results and making suggestions for future research in this area.

2   LITERATURE REVIEW

This chapter discusses relevant literature and theories that are applied in the investigation and analysis. First, an overview is given over concepts and developments related to purchasing and supply management. Then, the concept of CSR is introduced and discussed. The 3rd section of the chapter discusses ethical sourcing and thereby connects the two previous sections. Finally, the last section introduces concepts on the general structuring of organisations. The chapter concludes with the formulization of two propositions that link the presented theories to the purpose of this study.

2.1   Purchasing and Supply Management

This study concerns the incorporation of CSR criteria into the purchasing behaviour of brand-owning firms. Therefore, a theoretical approach to the research problem at hand should start by introducing the concepts of purchasing and supply management as well as recent developments affecting supply management today.

Purchasing is one of the most important functions within the firm. The evolution of purchasing and supply management has shaped the role and the significance of this function over time. According to Cousins et al. (2008, p. 11-14), in the past, purchasing was seen as a simple, supportive function with the main purpose to acquire the needed materials for a firm's production purposes. The role of the function was rather administrative, buying from various different suppliers and using competitive biding processes (Cousins et al., 2008, p. 11-14). From there the role started to shift towards more complexity and eventually towards a more integrated approach of managing the whole supply chain, meaning that firms take a more holistic perspective on managing and integrating processes along entire production circuits (Monczka et al., 2005, p. 24; Cousins et al., 2008, p. 11-14) .

One reason for this development is that organisations have recognized the major impact that the purchasing function can have on the total costs of the firm. According to Pooler et al. (2004, p. 4) the purchasing function represents one of the largest outgoing money flows of the company. The costs, which purchasing incurs to acquire the needed materials and merchandises for the firm can be over half of the incoming sales (Pooler, 2004, p 4; Van Weele 2005, p. 4). This feature is also emphasised by Ballou (2004, p. 448) who agues that when companies need to take cost saving initiatives, one of the most important areas where to cut down costs is the suppliers. Furthermore, Monczka et al. (2005, p. 6) point out that in addition to the costs, purchasing has a significant impact on the quality of products and services and can moreover enhance product development. Thus, the increase of recognition concerning the strategic importance of this function has also led to it becoming more involved in the organisational decision making processes, thereby having more influence within the firm (Trent & Monczka, 1998). Overall, the strategic meaning of purchasing has therefore gained more attention from the top management level (Watts et al. 1995).

It is important to define the concepts around purchasing and supply management as they are closely related, yet differing from each other. As the purchasing function is no longer a simple administrative procedure, the term buying is not adequate enough to describe its broader dimensions (Cavinato 2006, p 8). Monczka et al. (2005, p. 7) define the term purchasing in two contexts; to describe a functional group in the organizational chart and the activity of this function, that is, the buying process. However, purchasing as a concept of activity is only one task among others that contemporary purchasing departments are responsible for. Supply management has become the term in the literature often used to describe the broader set of activities, which the purchasing entity must perform. Monczka et al. (2005, p. 8) describe supply management as "*the process of indentifying, evaluating, selecting, managing and developing suppliers to realize supply chain performance that is better than that of competitors* ". It should be noted that whereas traditional buying has been short-term focused, supply management emphasises the importance of long-term relationships with specifically chosen suppliers and the development of these relationships (Monczka et al. 2005, p. 8).

The objectives of the purchasing function have both internal and external implications. Purchasing is an important link between the firm itself and the upstream stakeholders. Cousin et al. (2008, p. 18) note that the basic strategic role of purchasing is to implement the firm's competitive strategy. This means that purchasing is responsible for ensuring that required items will arrive on time, and be of lowest price and of acceptable quality (Cousins et al. 2008, p. 18). Thus, one of the main tasks of this function is to support the other departments of the firm, which are internal customers to the purchasing department (Monczka et al. 2005, p. 30-32). This task requires strong internal relationships between purchasing and other departments to ensure that the strategies of others are supported by purchasing (Monczka et al. 2005, p. 30-32). An example of the importance of these relationships is seen between purchasing and marketing functions. If marketing has planned to offer certain products with certain quality and a certain price to the customer, the purchasing department's role is to support this by ensuring this level of quality and price in the products or materials acquired (Monczka et al. 2005, p. 30-32).

Another main objective of the purchasing function is to manage the supplier base, that is, selection, development and maintenance of the pool of suppliers a firm has business relationships with (Monczka et al. 2005, p. 31-33). It is the responsibility of the purchasing department to evaluate and select the most suitable suppliers to fulfil the firm's needs. Purchasing is not the only unit of the firm that has direct contact with suppliers; however, as it is responsible for the supplier base, it should be the unit that has power over other departments in regard to supplier base management and purchasing activities (Monczka et al. 2005, p. 31-33). This implies that the purchasing department is responsible for managing both costs and all risks related to purchasing and supplier selection that a firm is exposed to in its sourcing behaviour (Van Weele 2005, p. 82-83). In this context it is important to bear in mind that the nature of different products and industries has a significant effect on how value chain activities

are coordinated across entities and thereby naturally influences firms in their purchasing needs and behaviour. The nature of relationships between different actors in a value chain depends to some degree on the characteristics of the production circuits of the specific industry in question (Dicken, 2007, p. 158-165).

2.1.1 Strategic Sourcing

The increase in importance of the purchasing function and the increasing emphasis on the strategic planning of sourcing activities combined with the focus on long-term supplier relationships has been labelled "strategic sourcing" by a number of scholars (e.g. Enarrson, 2008; Talluri & Narasimhan, 2004).

Enarsson (2008, p. 151) defines sourcing as "*gathering data and the performance of analyses to understand more about what you buy, how you buy, how you use what you buy, and what the strengths and weaknesses of your supplier base for a given material or service are, so that an strategic approach can be developed to both reduce costs and improve supplier performance*". The strategic planning in supplier relations is also recognized by Watts et al. (1995) who state that supplier relationships have a significant meaning for the company's overall long-term strategy. Firms have recognized and adapted strategic approaches to sourcing activities, which have led to a new direction in supply base management. The trend in the past few decades has been towards reducing the number of suppliers and developing stronger relationships with the existing ones (Trent & Monczka, 1998). Two dimensions and strategic choices to make in the sourcing strategy, according to Fraering and Prasad (1999), are the decision of whether to source internally or externally and whether to source from the domestic supply market or internationally.

2.1.2 Global Sourcing

Deregulation in many industries and new communication and transportation opportunities have led to a globalisation of trade, which has increased the possibilities for firms to source internationally (Van Weele, 2005, p. 5). Thereby, these trends have given strategic sourcing an international dimension, which becomes evident in the concept of global sourcing.

Global sourcing differs from performing plain international buying transactions by the complexity of its nature. *"Sourcing on a global scale requires a higher degree of internal coordination and integration of value chain activities across countries"* (Pyndt & Pedersen, 2006, p. 21). Thus, the emphasis is on integrated structures and processes. Trent and Monczka (2003, p. 26) define the concept as follows: *"Global sourcing involves proactively integrating and coordinating common items, materials, processes, designs, technologies and across worldwide purchasing, engineering, and operating locations"*.

In its essence, global sourcing is driven by several factors. Monczka et al. (2005, p. 306) argue that innovative developments can lead to better technologies to be found in some other location than the domestic market. Another motive to source globally is the fact that occasionally the only sources available are located in international markets or the firm wants to introduce the domestic suppliers to competition (Monczka et al. 2005, p. 306). In addition, one very common motivation in the global sourcing context is cost savings, especially for those firms that source from low-cost countries. Changes in the consumer behaviour have influenced the business environment in such a way that rising costs of production can no longer be passed on to the end customer who is actually expecting even lower prices (Fitzgerald, 2005). Severe competition, which has forced firms to seek ways to reduce costs, has led sourcing and production to shift to countries in which products can be manufactured cheaper (Trent & Monczka, 1998). Research done by the Aberdeen group revealed that sourcing from low-cost countries can provide cost saving from 10 up to 35 percent and that firms' spendings on low-cost country suppliers is in increase (Fitzgerald, 2005).

Trent and Monczka (2003) also found that firms, which are engaged in global sourcing, have stronger organizational structures and communication channels to support these strategies compared to those who are practising international buying. Many companies engaged in global sourcing, for instance, have international purchasing offices to support operational issues in the sourcing countries (Trent & Monczka 2003).

2.1.3 Outsourcing and Offshoring

In addition to rising opportunities to source globally, the ownership of capabilities has decreased in importance in today's business world and the focus has shifted to the ability to use those capabilities – external or internal - which are significant to the firm's competitive advantage, in the most efficient way (Gottfredson et al., 2005). In relation to sourcing, this implies that companies do not only have the opportunity to source globally but also face the so-called "make or buy" decision, i.e. the question of what activities to perform in house and what activities to give into the hands of external partners (Pyndt & Pedersen, 2006, p. 11, 26). This trend to focus on core competences has led to an increase in outsourcing and offshoring practices, which, according to Van Weele (2005, p. 8), contributes significantly to the increasing strategic importance of the purchasing function.

As Pyndt and Pedersen (2006, p. 11-12) point out, outsourcing refers to letting external partners perform tasks previously performed in-house, while offshoring means the re-location of a certain business function from the home country to a foreign location. Offshore outsourcing is a combination of both, i.e. outsourcing to an external partner located in a foreign location (Pyndt & Pedersen, 2006, p. 12; Dicken, 2007, p. 165).

Simchi-Levi (2003, p.142) points out four important motivational factors for firms to choose an outsourcing strategy. (1) The economies of scale will enhance to lower the costs, especially in manufacturing, (2) the risk of demand uncertainty can be transferred from the firm to its suppliers, (3) firms do not need to make heavy capital investments and (4) by outsourcing functions, the firm can focus on its core competences, for instance innovation and sales. In offshore outsourcing, the initial motivation often lies specifically in the ability to reduce costs when operations are shifted to low-cost countries (Pyndt & Pedersen, 2006, p. 13, 20; Dicken, 2007, p. 165).

Although a decision of outsourcing is made to improve the firm's performance, it exposes the firm to new risks as once the function is given to the external party to perform, the control of it, too, is given away (Harbhajan, 2006, p. 4; Dicken, 2007, p. 165). Fitzgerald (2005) states that the risks in sourcing from low-cost countries are usually related to suppliers' low lever of maturity, which can lead to poor quality of the product and unpredicted lead times. On top of that, the loss of control over outsourced production activities can lead to major risks related to CSR issues. Brands owners become very vulnerable for reputational risks when manufacturing is offshore outsourced to low-cost countries, where environmental standards may be disregarded while labour is exploited and workers' rights neglected (Neef, 2004, p.8-15; Krueger, 2008).   Neef (2004, p. 35) points out that even though the function of production is given to an external party to perform, firms cannot escape their responsibilities in relations to legal, ethical and quality aspects.

2.2   Corporate Social Responsibility (CSR)

As this study concerns the way CSR is handled in supplier relationships, this section defines the concept of CSR and explains what implications its emergence has on today's business world.

CSR is rooted in the understanding that businesses cannot only be concerned with the maximization of owners' wealth but must take into consideration the responsibility they have to "behave properly" and act as good citizens of the society they are embedded in.

Today, this notion is increasingly acknowledged by academia, the general public, activist organisations and NGOs, and MNCs. Climate change, demographic developments and global poverty are major contemporary challenges in human development and MNCs in particular are increasingly expected to operate responsibly, i. e. in ways that ease these problems rather than worsen them (Blowfield & Murray, 2008, p. 366-371). Stock markets have begun to feature specialised indices such as FTSE4Good and Dow Jones Sustainability Index, which are designed for listed companies that have submitted to certain environmental and social standards (Blowfield & Murray, 2008, p. 377).

In a recent interview, George Jaksch, Senior Director of Corporate Responsibility and Public Affairs at Chiquita Brands International argued that within a few years, no MNC will be able to afford evasion

of environmental and social responsibility any longer (Der Spiegel, 2009). The case of Chiquita is a prime example that illustrates the emergence of CSR considerations. In the past, the leading banana producer was one among a handful of MNCs that were especially fiercely criticised by globalisation critics for paying workers on plantations below-minimum wages, providing bad healthcare and continuously exploiting labour while disregarding environmental concerns (Der Spiegel, 2009).

Despite its rising importance, there is hardly any concept in today's business world that is as difficult to define precisely as what is commonly known as CSR (Clarksson, 1995). As scholars have taken different approaches in defining what exactly corporate responsibility entails and company managers, too, often have varying understandings of CSR (Clarksson, 1995), a unifying concept of CSR does simply not exist (Blowfield & Murray, 2008, p. 55).

Corporate social responsibility (Zenisek, 1979; Crane & Matten, 2007, p. 45-57; Amaeshi et al. 2008; Cruz & Matsypura, 2009), corporate responsibility (Egri & Ralston, 2008), corporate social performance (Caroll, 1979; Wood, 1991; Clarksson, 1995), corporate social responsiveness (Caroll, 1979) and corporate citizenship (Crane & Matten, 2007, p. 70-79) are some of the most often-used terms in attempts to conceptualize business ethics and the responsibility of businesses in society. However, there is an ongoing debate among scholars about what these terms actually mean and how they differ from each other.

Nevertheless, there are a number of key terms that appear in many definitions of CSR and related concepts. CSR is often seen as being comprised of a company's responsibility related to environmental concerns on the one hand and "social" concerns on the other. The concept of sustainability (as opposed to short-term, exploitative thinking) is also a prominent component of CSR. Finally, CSR is seen as a concept that calls for actions that go beyond requirements set by law, and are thus voluntary in nature.

Going back to the very basics of CSR, Blowfield and Murray (2008, p.50-53) point out that the perception of CSR-related issues is linked to fundamental opinions shared by a group of people on what the role of business, of business relationships and of employer-employee relationships should be in communities and societies. These opinions are formed and influenced by a number of factors, such as religious and cultural values and ideological concepts that shape a society (Blowfield & Murray, 2008, p. 50-53). However, most of the contemporary research, including this paper, is limited for reasons of practicality and applicability to a discussion on CSR in the context of business in today's capitalistic market environments.

Historically, theories on the relationship between business and ethics in capitalist markets can be traced back to the 1930s (Blowfield & Murray, 2008, p. 55). In the 1970's researchers began to

highlight the institution of an enterprise as the bearer of responsibility as opposed to assigning responsibility to entrepreneurs as individuals (Blowfield & Murray, 2008, p. 56). Whatever approach taken, theories on CSR evolve around the following key questions: *"1) How can business be responsible? 2) For what is it responsible? 3) To whom is it responsible?"* (Blowfield & Murray, 2008, p. 58) It should be noted that much controversy in academia evolves around the third question. Defining to whom a business is responsible and liable, is one way to define *what* it is actually responsible for and *how* it can meet that responsibility.

In an often-cited article published in 1970 in the New York Times Magazine, world-famous economist Milton Friedman recognized a business' responsibility to obey the law and not disregard basic ethical principles. However, he saw management merely as agents of a company's owners whose interest should exclusively lie in maximizing company profit. He thus strongly rejected the notion that company managers should be concerned with anything else such as the role of the company as an actor in society. He therefore argued against the rising attention CSR was given in the academic world, claiming that CSR concerns were an expression of socialist principles, threatening the basis of a free-market economy.

The broadest possible approach to CSR that does recognize company responsibility is the societal approach, according to which businesses simply bear responsibility toward the society at large (Nielsen & Thomsen, 2009). Furthermore, there seems to be a general agreement in contemporary academic work that CSR concerns social as well as environmental issues (Egri & Ralston, 2008). The societal approach to defining CSR, however, is challenged by a number of scholars who find it too simplistic and broad. As Clarksson (1995, p. 102) points out, *"the confusion and misunderstanding about the definition and meaning of corporate social responsibility (…) is a direct result of the inclusive and vague meaning of the word social."*

Clarksson (1995) therefore argues for viewing CSR from a stakeholder perspective, limiting and defining the scope of a company's responsibility by suggesting that businesses are liable toward their stakeholders rather than toward society at large. Social issues, he argues, should be subject to public debate and policy-making, while CSR in business should mean committing to ethical principles in dealing with a company's specific stakeholders. This stakeholder perspective regarding a firm's responsibilities can be traced back to the works of Edward Freeman, who was among the first to develop stakeholder theory in the 1980's (Crane & Matten, 2007, p. 57).

According to Clarksson (1995) stakeholders to a company include employees, shareholders, customers, suppliers and a number of public stakeholders such as government bodies and the community the company operates in. In general, advocates of the stakeholder perspective argue that a focus on stakeholder issues makes CSR management more feasible as the focus is on specific

relationships and a specific context that a company really has an influence on, rather than on broad societal concepts (Maignan et al., 2002). Some have even suggested a change in terminology, favouring the term "company stakeholder responsibility" over "corporate social responsibility" (Nielsen & Thomsen, 2009). However, it must be noted that there is no clear agreement among scholars concerning the criteria that make an individual or an organisation a stakeholder in a firm (Crane & Matten, 2007, p. 57).

Apart from focusing on the *responsible to whom*-question, some scholars have tried to approach CSR by categorizing different kinds of responsibility and approaches companies take to meet them. Caroll (1979) identifies four different social responsibility categories, based on what society *expects* from businesses. At the basis lies a business' economic responsibility related to the function a company has in society as a provider of goods and services that are sold for a profit. On top of that, there are legal responsibilities related to laws that must be obeyed. Furthermore, Caroll (1979) introduces a level of ethical responsibilities, which he defines as the need to act in a way that is ethically expected but not codified by law. Finally, the level of discretionary responsibilities refers to behaviour that is not explicitly expected by ethical principles but adds to a company's moral credibility. These activities are purely voluntary in nature so the degree to which a company engages in them depends very much on the judgement and opinion of the company's managers.

Caroll (1979) then moves to a concept he calls social responsiveness that characterizes the modes businesses use to meet (or not meet) their various responsibilities. Social responsiveness is conceptualized as a continuum ranging from a very proactive to a very reactive and defensive attitude businesses can have with regard to meeting their responsibilities.

A fairly new concept to describe corporate responsibility is that of corporate citizenship (CC), which has been advocated by the business world itself rather than by academia (Crane & Matten, 2007, p. 70). In contemporary research, three different perspectives of CC can be identified (Crane & Matten, 2007, p. 71). One equates CC with corporate philanthropy, while the second argues that CC is the same as CSR, and the third incorporates the growing political role of businesses in society into the construct (Crane & Matten, 2007, p. 71).

In addition to a vivid debate evolving around CSR terms and concepts that is still ongoing, some scholars have turned to developing constructs for the measurement of how responsible a company is in its actions. In this regard, Wood's (1991) conceptualization of corporate social performance (CSP) has been given much attention.

Other scholars have brought attention to investigations of what kind of effect the engagement in CSR has on a company as a whole. For example, Cruz & Matsypura, (2009) recognize the economic benefit

that a proactive attitude toward CSR can bring as it reduces business risk, waste and transaction costs along the supply chain. Researchers have also turned to investigating CSR as a function within firms, the motivations of companies to pursue CSR policies and the way the concept is communicated across the business. Nielsen & Thomsen (2009), for instance, found reputation to be a strong driver for engagement in CSR among small and medium-sized enterprises (SMEs) while CSR policies were found to be very depended on the personal values of individual mangers in such companies. Communication of CSR in SMEs is thus rather non-systematic, unstructured and informal in nature (Nielsen & Thomsen, 2009).

As CSR is such a vividly debated concept, there is a need for concluding clarification of what that concept entails within the frame of this study. Firstly, for the purpose of this research the authors find the term "Corporate Social Responsibility" most viable since it is the most widely recognized term. Secondly, in this study, CSR is defined as a concept in business that recognizes and formalizes an organisation's responsibility as an actor in society, designed to ensure that the way business is conducted employs ethical principals in the treatment of people within and outside of the organisation as well as in the treatment of nature and the environment.

2.3   Ethical Sourcing

The concept of ethical sourcing connects CSR considerations with supply management and sourcing by acknowledging that CSR must be incorporated in sourcing practices. In general, ethical issues related to firms sourcing globally, especially when contract manufacturing in low-cost countries is involved, have been much acknowledged by NGOs and consumers, too (Neef, 2004, p. 182). Big brands were hit by severe criticism about bad working conditions in their manufacturers' factories in low-cost countries in recent years (Dicken, 2007, p. 538). Nike, for example, has been one of the much criticised companies whose reputation has deteriorated due to the conditions in the factories in Asia where Nike has used contract manufacturing (Locke, 2002).

Today, an increasing number of firms take a structured approach to control and manage ethical considerations in their sourcing behaviour and prevent environmental mismanagement and workers' rights abuses on behalf of their suppliers (Crane & Matten, 2007, p. 388). These approaches often involve the development of a code of conduct (CoC) that suppliers have to sign before any orders are placed, and regular audits that are designed to check compliance and possible violations of the code (Crane & Matten, 2007, p. 388).

In the literature, various terms, such as Purchasing Social Responsibility (PSR) (e.g. Carter & Jennings, 2004), socially responsible buying/sourcing (Park & Stoel, 2005; Maignan et al., 2002), environmental purchasing (Carter & Carter, 1998) and ethical sourcing (Roberts, 2003; Crane & Matten, 2007, p. 388; Blowfield & Murray, 2008, p. 374) are used to describe this practice. Studies in

this field evolve around both stand-alone research and research with a more holistic perspective. Stand-alone research studies specific areas such as environmental aspects (e.g. Carter & Carter, 1998) or workers' right issues in the suppliers' factories (e.g Egels-Zandén, 2007). Research by Carter and Jennings (2004) aims at a more holistic approach of the phenomenon and focuses on defining all the dimensions related to PSR, stating that PSR consists of areas related to diversity, the environment, safety, human rights and philanthropy. Crane and Matten (2007, p. 388), too, take a holistic approach and define ethical sourcing as *"the inclusion of explicit social, ethical, and/or environmental criteria into supply chain management policies, procedures, and programmes"*.

Some scholars have also investigated how ethical sourcing behaviour is related to other characteristics of a firm. Carter and Jennings (2004), for instance, found that there is a positive correlation between a people-oriented corporate culture that stresses values such as fairness, and PSR. Furthermore, top management leadership was found to have an influence on PSR, both directly (Carter & Jennings, 2004; Pretious & Love, 2006) and indirectly through the effect leadership has on corporate culture (Carter & Jennings, 2004). According to Carter and Jennings' (2004) findings, employee initiatives, based on individual values can also have a positive effect on PSR. Thus, individual values should be considered in staffing decisions related to PSR and may have an overall impact on the management of PSR within a firm (Carter & Jennings, 2004). Carter (2005) found a positive correlation between the degree of organisational learning within a firm and its entrepreneurial environment on the one side and the degree of social responsibility in its purchasing behaviour.

Other researchers have drawn attention to how to deal with violations of CoCs. As Neef (2004, p. 182) explains, the complexity of supply management, the emphasis on long-term engagement rather than arms-length relationships and dependence on key suppliers often makes it very difficult from a commercial point of view to simply terminate a relationship in case of violation of the CoC. Activists, too, have begun to realize that the withdrawal of the MNC engagement due to non-compliance with the CoC does not do any good for any of the parties involved (Neef, 2004, p. 182). Instead, NGOs and MNCs are increasingly pursuing a strategy of training and educating suppliers to achieve higher standards concerning workers' rights and environmental issues (Neef, 2004, p. 182). Thus, there is an increasing pressure on brand owners to actively invest and engage in making a difference by pressuring their suppliers to improve their conditions if they are found to be in violation of ethical principles, rather than to simply cut all business ties and leave (Neef, 2004, p. 182).

2.4   Organisations and Structure

"Every organised human activity – from the making of pots to the placing of a man on the moon – gives rise to two fundamental and opposing requirements: the division of labour into various tasks to be performed and the coordination of these tasks to accomplish the activity" (Mintzberg, 1979, p. 2).

This section is designed to give a brief overview over factors characterising organisations and their environment, which may have a general influence on what kind of structures can be found within the organisation. As this study is concerned with the structures and processes that characterise the management of ethical sourcing within organisations, the purpose of this section is to outline what organisational structures, in general, may depend on.

Researchers have for many decades examined organisations in terms of their structure, tried to categorize different types of structure and understand what factors influence an organisation's structural configuration (Mintzberg, 1979, p. 9-12; Routamaa, 1985). Mintzberg (1979, p. 3) identifies five coordinating mechanisms that characterize organisational structure: mutual adjustment (through informal communication between organisation members), direct supervision, and standardization of work processes, work output, and workers' skills.

Mutual adjustment is characterized by informal means of communication and by the fact that there is no strict division between the execution of tasks and the control of the related activities, so that *"under mutual adjustment, control of the work rests in the hands of the doers"* (Mintzberg, 1979, p. 3). Direct supervision employs one individual who carries responsibility for the work of others and whose task it is to give instructions and monitor other staff's work processes (Mintzberg, 1979, p. 3-4). Standardization is based on a strict and general coordination of tasks and division of labour that gives the day-to-day work of each individual a clearly defined structural frame, following standardized and formal procedures (Mintzberg, 1979, p. 5).

Mintzberg (1979, p. 217) further draws upon contingency theory, arguing that *"organisational effectiveness results from a match between situation and structure"*. This highlights the importance of the unique context and situation an organisation is embedded in and the effect it can have on the organisation's structure. Logically, it also follows that there is not one best fit for all situations and organisations (Mintzberg, 1979, p. 217).

There are a number of factors and variables that can characterize structure and situation. How these variables are correlated and what kind of causal relationships exist among them is the topic of a variety of studies and research projects. In this context, Mintzberg (1979) distinguishes between design parameters and contingency factors. Even though it is possible to identify causal relationships, to isolate the influence an individual contingency factor has *alone* on organisational design is hardly possible (Mintzberg, 1979, p. 248). Nevertheless, Mintzberg (1979, p. 248) concludes that the larger an organisation becomes as it grows older, the more it moves from mutual adjustment toward direct supervision and standardization. Smaller organisations are likely to be characterized by a less rigid division of labour (Mintzberg, 1979, p. 231) while the larger the size of an organisation *"the more elaborate its structure, that is, the more specialized its tasks, the more differentiated its units, and the*

more developed its administrative component" (Mintzberg, 1979, p. 230). Samuel and Mannheim (1970), too, point out that the more an organisation grows, the more it becomes driven by formal rules and procedures.

In addition to age and structure, Mintzberg (1979, p. 249-266, 287) also examines the technical system of production and factors rooted in the external environment of a firm as contingency factors stating that these factors have an influence on structures as well. He also argues that issues related to the understanding and implementation of power within an organisation can have an effect on structural configuration, for instance on the question of how centralised or decentralised an organisation is (Mintzberg, 1979, p. 288- 297).

2.5   Concluding Remarks and Propositions

The emphasis on strategic planning in purchasing activities and sourcing has gained more attention within companies over the last decades. The trend of outsourcing and offshoring, intended to increase the competitive advantage of firms, has given sourcing a more global dimension. However, in addition to the positive side e.g. cost savings, the practice of using external suppliers globally has exposed firms to different types of new risks and challenges. One of these challenges is the strong rise of CRS considerations, especially related to suppliers in low-cost countries. This has led to an emergence of ethical sourcing practices, designed to incorporate CSR in sourcing behaviour and account for the risks related to the loss of direct control over production activities. In this context the significance of the purchasing function role increases further as it is the link between the firm and the upstream stakeholders of the company and carries a responsibility for costs and business risks related to sourcing.

How organisations in general structure themselves in order to function in the most efficient way in the business environment varies. Different coordinating mechanisms such as a level of standardization of the processes have been found to be influenced for instance by the size and the age of the firm. However, while the influence of a range of factors on structure can hardly be denied, just how much any *one* single factor influences structure is hard to establish. This is important to bear in mind since this study strives to identify reasons for organisational structures and processes related to CSR and sourcing. In this context, contingency theory acknowledges the possible impact a company's individual situation may also have on its structure.

Based on this theoretical framework, the following three propositions are developed to describe the theoretical motivation behind this study and the related a-priori understanding of the research topic.

Proposition I (a): *The rising trend of outsourcing production to cut costs in a competitive environment and the need to manage increasing social and environmental responsibilities along the value chain put brand owners under opposing pressures, which are a significant management challenge.*

Proposition I (b): *This challenge must – in one way or another – be recognized and dealt with within the organisation.*

Proposition II: *The reasons for the specific structures and processes related to the relationship between CSR and supply management that exist at a specific company, may be found in other characteristics of the company (e.g. its size) and/or its environmental context that are not directly linked to CSR and may be company-specific or industry-related.*

These propositions represent fundamental a-priori assumptions that shape the set-up and frame of this research. Proposition I(a) acknowledges the challenge posed by the rising importance of CSR in combination with the growing trend of outsourcing production, which are both discussed in the literature review. Proposition I(b) assumes that this challenge must be handled in some way on a managerial level within firms. Proposition II links the frame established in Proposition I(a) and I(b) to the second part of the research purpose that aims to identify possible reasons for certain structures and procedures related to managing CSR in sourcing practices. It therefore draws upon existing theory about what influences the structure of organisations, as presented in the literature review.

Thus, these propositions are the guideline of the research process and serve as a link between the research purpose, the theoretical framework this study is embedded in, and the methodology that this research itself employs to arrive at valid and reliable conclusions.

3   METHODOLOGY

This chapter is designed to discuss the method employed in this study. It describes the approach taken and explains the reasons for the methodological choices that were made. First, the choice of literature is discussed, followed by a description of the research approach and design. The chapter then moves to an explanation of how data was collected for this research and describes the process of data analysis. It concludes with a discussion of the scope and boundaries of research that the methodological choices entail.

3.1   Choice of Literature

As Figure 1 shows, the literature used in this study is drawn from three different areas. Two strings of literature, namely the literature on CSR and on sourcing/supply management combined, form the concept of ethical sourcing/PSR. In this study, ethical sourcing/PSR is a core concept since the study is concerned with investigating *how* ethical sourcing/PSR is practised and managed within brand owners. Literature on the structure of organisations is added since questions of management always have a procedural and a structural dimension, which are embedded into a larger context of how a firm as a whole can be characterised. Together, these three strings of literature constitute the theoretical framework and lead to the presented propositions.

Figure 1: The Theoretical Framework and its Components
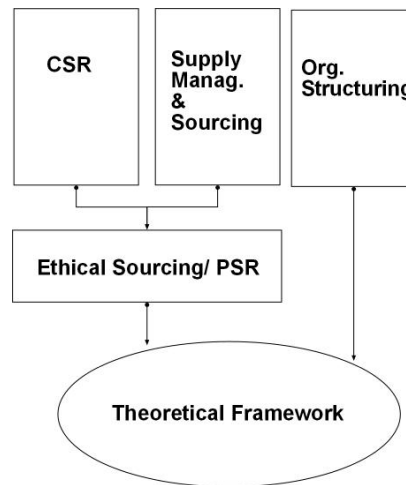
Source: Authors' own

3.2   Research Approach

The main aim of this study is to examine *how* CSR as a function is linked to supply management within brand owners and *why* these two factors are linked in that specific way in terms of the related structures and processes. Thus, it concerns an exploration of the division of labour and the allocation

of responsibility for CSR and sourcing activities within brand-owning firms, and the related daily management procedures.

For this purpose, a qualitative research methodology was chosen. As Merriam (1998, p. 6) points out, qualitative research is appropriate if the aim is to produce a holistic description and understanding of a phenomenon, rather than to investigate individual variables and their correlation, which is a common aim in quantitative research. Merriam (1998, p. 7) also states that qualitative research is useful when *"there is a lack of theory, or existing theory fails to adequately explain a phenomenon",* which fits the exploratory purpose of this study that is due to a lack of prior research in this field.

In this case, rather than to develop a tight theoretical framework including a number of specific hypotheses, the authors are interested in drawing conclusions based on field observations without any pre-imposed meaning and interpretation that go beyond the basic propositions. In taking this exploratory approach this study is in line with Merriam's (1998, p. 7) characterisation of qualitative research and follows what Silverman (2005, p. 98) calls naturalism.

3.3   Research Design
3.3.1   Case Study
The phenomenon of interest in this study is the structural and process-related integration of CSR in supply management that forms the basis for ethical sourcing. It is a contemporary phenomenon that has not yet received a lot of attention by academia and it is naturally embedded into a context of organisational structuring and company management, whose scope and influence on the matter in focus (i.e. the phenomenon as such) are difficult to judge a priori (cf. Yin, 2003, p. 13, 15). Thus, the aim of this research is to perform a holistic exploration of the above-mentioned phenomenon.

Therefore, this research is based on case-study design, following the logic of Yin (2003, p. 9) who states that case studies are applicable when the research purpose concerns a how or why question about a contemporary phenomenon. Merriam (1998, p. 34) defines a case study as *"an intensive, holistic description and analysis of a single entity, phenomenon or social unit"*. In general, case studies enable a researcher to investigate contemporary phenomena in their original context and are especially useful when, like in this study, it is difficult to see clear boundaries between the subject of the study as such, and the context it is embedded in (Yin, 2003, p. 13).

This case study aims at developing a theoretical conceptualization of how CSR is managed in handling supplier relationships. Furthermore, it relates empirical evidence to propositions that were formulated prior to the investigation. Thus, it is an interpretative case study (cf. Merriam, 1998, p. 38-39).

3.3.2 Multiple Case Study

A multiple case study design is employed in this research, which means that the same investigation is replicated on not one but a number of chosen cases that are then analysed (cf. Yin, 2003, p. 46). This is in line with the definition of what Silverman (2005, p. 127) calls a collective case study, which is applicable *"to investigate some general phenomenon"*. According to Yin (2003, p. 53) the advantage a multiple case study has over a single case study is the fact that *"analytic conclusions independently arising from two cases ... will be more powerful than those coming from a single case ... alone."* This represents the main motivation behind choosing a multiple case design in this study. In order to be able to thoroughly describe and explore the general phenomenon of ethical sourcing management, it is necessary to examine not just one but a number of cases.

However, it should be noted that the fact that a study involves multiple interviews or units of analysis, like this one does, does not automatically make it a multiple case study. At first glance, this study may seem like what Yin (2003, p. 40) defines as an embedded single-case design, i.e. a design with multiple units of analysis embedded into one binding context that constitutes the case. However, Merriam (1998, p. 27, 65) points out that *a* case must be *a "bounded system"*, i.e. either a single individual, thing, unit of analysis or entity, or a phenomenon that as such constitutes a binding context with clear characteristics and borders. In this research, the authors refrain from viewing the topic of structural and procedural integration of CSR in supply management as a context that creates such a bounded system across the various units of analysis. Instead, the topic is regarded as what Merriam (1998, p. 28) calls a generality, which is insufficient to create the overall clear-cut context needed in order to view it as a single case.

After all, one of the propositions states the belief that the integration of CSR in supply management may be dependent on company-specific characteristics. Therefore, the unique context of each individual unit of analysis has more relevance in the design and the analysis than the overall context created by the topic of the study, which is insufficient to create a bounded system.

At the same time, the authors are aware of the fact that multiple case studies usually involve a more detailed and in-depth investigation of each case than this study does, especially when a case study concerns people's perceptions and feelings related to a certain phenomenon. However, rather than taking this emotionalist approach, which is common in qualitative research (cf. Silverman, 2007, p. 10), the main aim in the investigations conducted for this study was solely to understand a structure and related work processes and how these two are embedded into the overall context of the investigated company. That naturally requires less effort than an investigation designed to capture social interaction and the subjective perception of reality different actors may have.

Even though this study lacks the features of emotionalist in-depth investigation on each case due to the above-mentioned reasons, it does include a meaningful categorization of the selected cases and a replication of the investigation both within categories and across categories. According to Yin (2003, p. 47), this theoretical replication (across categories) and literal replication (within one category) are typical features of multiple-case study designs.

3.3.3 Case Selection

Case selection for this study began by identifying industries in which ethical behaviour in sourcing is particularly important. The footwear and textile industries were found to be such industries as production in both sectors is often characterised by contract manufacturing primarily in developing countries.

According to Pyndt & Pedersen (2006, p. 15) the textiles industry was one of the first industries to shift production to low-cost countries. Within the textiles industry, the clothing segment in particular has a long history of subcontracting production that goes back to the 1960s (Dicken, 2007, p. 264). Today, Asia, where much of such subcontracted production is located, is the world's leading region in clothing exports (Dicken, 2007, p. 250-251). At the same time, the labour intensity of production, the use of animal products such as leather and down and the need to employ environmentally hazardous chemicals in the manufacturing process combined with the fierce competition in the marketplace constitute conditions that easily turn into malpractice at the production facilities of contract manufacturers. In the past, clothing brands have repeatedly been targeted by anti-sweatshop campaigns over allegations concerning child labour and other appalling working conditions (Dicken, 2007, p. 255, 257-258).

Public awareness of such issues is on the rise, due to NGO initiatives such as the Clean Clothes Campaign (Clean Clothes Campaign, n. d.), media reports, and documentaries. The award-winning documentary "A Killer Bargain", for example, revealed the actual working conditions and environmental pollution at an Indian factory producing bed linen for a Swedish clothing and textiles chain and has been prized on various occasions after its release in 2006 (A Killer Bargain, n. d.).

Another indicator for the importance of the management of CSR in supply chains in this industry is the fact that, in recent years, many textiles companies have joined associations such as the Business Social Compliance Initiative (BSCI), which is a non-industry-specific organisation companies can join to make a joint effort to promote and control CSR along their value chains in a collective and systematic manner (BSCI, n. d.). The Better Cotton Initiative (BCI) is another organisation supported by a number of clothing and textiles brands, which aims at enhancing economic as well as social and environmental sustainability along the cotton supply chain (BCI, 2007). Some textile companies have also turned to tools such as the Bluesign standard that aims at designing processes along the value

chain of textile production that reduce the hazard production poses to humans and the environment (Bluesign standard, n. d.).

Like textiles, the footwear industry, too, has for some time now seen significant use of contract manufacturing and a shift of production especially to Asia, seeking cost benefits through the employment of inexpensive labour (Pyndt & Petersen, 2006, p. 37; Brenton et al, 2000, p. 6-7; Belso-Martínez, 2008; Amighini & Rabellotti, 2006). The business model of the US footwear company Nike, for example, is known for being based entirely on the concept of contract manufacturing, making Nike a solely marketing-oriented firm (Dicken, 2007, p. 159). On top of that, the fact that the member list of the BSCI includes a number of footwear companies shows that the footwear industry is also becoming aware of CSR considerations in its production circuit (BSCI, n.d.).

In terms of selection of the individual cases within the above-mentioned industries, the authors first took a very pragmatic approach. Accessibility and geographic proximity were the main criteria in selecting cases in the beginning of the selection process, which represents a method Merriam (1998, p. 63) calls convenience sampling.

Later, once certain companies had already agreed to cooperate, criteria were identified, by which to group the already established cases and by which to choose additional ones. Thus, the selection of cases eventually became more structured and moved towards a method Silverman (2005, p. 130-131) and Merriam (1998, p. 63) call theoretical sampling. The distinctive feature of theoretical sampling is that the sampling is not completed prior to the start of the investigations, but as the investigation proceeds and the researchers' understanding of the topic grows, new units of analysis are added in *"an evolving process, guided by the emerging theory"* (Merriam, 1998, p. 63). Theoretical sampling thus is an incremental process that links data collection with the interpretation of already collected data. According to Eisenhardt (1989) it is a method especially suitable in research that is, like this study, designed to arrive at conceptualisations that are grounded in empirical observations.

At this point it is important to note that both Silverman's (2005, p. 130-131) concept of theoretical sampling as well as Yin's (2003, p. 32-33) thoughts on selecting cases for case studies stress that cases should be selected not primarily to achieve a typical representation of a population. According to Yin (2003, p. 31-33) the aim of a case study lies in analytic generalization as opposed to statistical generalization. Merriam (1998, p. 61), too, confirms that statistical generalization cannot be achieved in qualitative research. Thus, cases in a case study should be selected to help enhance the theoretical understanding of a phenomenon but they do not need to be a valid representation of the entire population. In other words, cases do not need to be "typical" in a statistical sense. They should be selected on the basis of meaningful criteria that justify why an examination of that case can add to an explanation and conceptualization of the phenomenon in focus of the study. In this context, the

concept of theoretical and literal replications is important as such replications add to the validity of conclusions arising from multiple-case studies (Yin, 2003, p. 47; Eisenhardt, 1989).

In this study, the above-described process of theoretical sampling and the ambition to perform both theoretical and literal replication resulted in an investigation of the following eight companies: Dem Collective, Haglöfs, Hemtex, KappAhl, Melka, Nilson Group, Nudie Jeans, and Vagabond.

The following three figures show systematic categorizations that employ meaningful criteria to group cases and allow for theoretical as well as literal replication, without claiming that the chosen cases are statistically representative of the entire footwear and textiles industries.

 In Figure 2 the distinction dividing the pool of cases is the question of whether the company chosen is retail- or whole-sale driven as, in the authors' a priori opinion, this distinction may explain possible differences in the structural and procedural links between CSR and supply management. In addition to that, Figure 3 distinguishes between small entrepreneurial companies and brands that are already well-established in the market to examine what effect the heritage and organisational character of a company may have on how CSR is handled in supply management. Finally, Figure 4 depicts a distinction made between all cases, based on whether the company in question operates in the footwear or the textiles industry to allow for possible industry-specific differences to become evident through literal and theoretical replication.

Figure 2: Retail-driven and wholesale-driven Cases

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                    ┌─────────────┐
                    │  All Cases  │
                    └─────────────┘
            ┌──────────────┴──────────────┐
            ▼                             ▼
  ┌──────────────────┐         ┌──────────────────────┐
  │  Retail-driven   │         │  Wholesale-driven    │
  └──────────────────┘         └──────────────────────┘
  ┌──────────────────┐         ┌──────────────────────┐
  │ Hemtex           │         │ Dem Collective       │
  │ KappAhl          │         │ Haglöfs              │
  │ Nilson Group     │         │ Melka                │
  │                  │         │ Nudie Jeans          │
  │                  │         │ Vagabond             │
  └──────────────────┘         └──────────────────────┘
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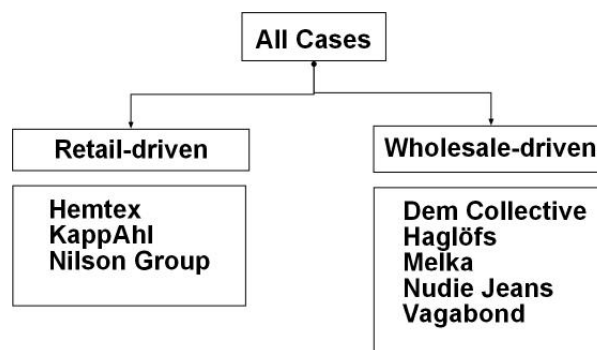
Source: Authors' own

Figure 3: Young entrepreneurial Firms and established Brands

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                        ┌─────────────┐
                        │  All Cases  │
                        └──────┬──────┘
              ┌────────────────┴────────────────┐
     ┌─────────────────┐              ┌─────────────────────┐
     │ Young entrepr.  │              │ Established brands   │
     └─────────────────┘              └─────────────────────┘
     ┌─────────────────┐              ┌─────────────────────┐
     │ Dem Collective  │              │ Haglöfs             │
     │ Nudie Jeans     │              │ Hemtex              │
     └─────────────────┘              │ KappAhl             │
                                      │ Melka               │
                                      │ Nilson Group        │
                                      │ Vagabond            │
                                      └─────────────────────┘
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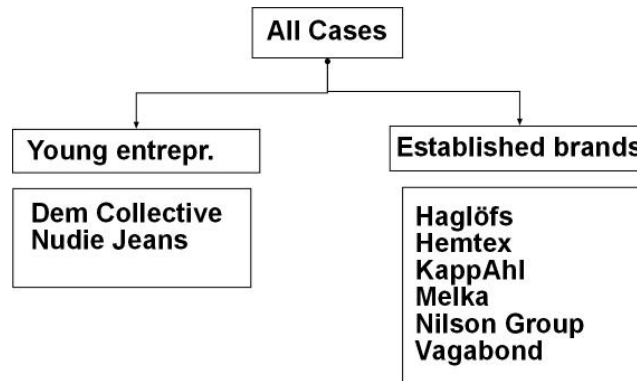
Source: Authors' own

Figure 4: Footwear and Textiles Cases

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                        ┌─────────────┐
                        │  All Cases  │
                        └──────┬──────┘
              ┌────────────────┴────────────────┐
     ┌─────────────────┐              ┌─────────────────────┐
     │    Footwear     │              │     Textiles         │
     └─────────────────┘              └─────────────────────┘
     ┌─────────────────┐              ┌─────────────────────┐
     │ Nilson Group    │              │ Dem Collective      │
     │ Vagabond        │              │ Haglöfs             │
     └─────────────────┘              │ Hemtex              │
                                      │ KappAhl             │
                                      │ Melka               │
                                      │ Nudie Jeans         │
                                      └─────────────────────┘
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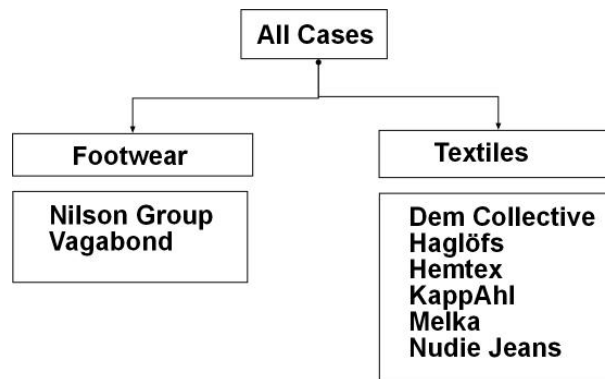
Source: Authors' own

3.4 Data Collection

3.4.1 Primary Data

The data that forms the basis for the analysis was mainly collected through interviews with representatives of the chosen companies who were knowledgeable about CSR and supply management within their organisations. However, the specific function of interviewees within the firm varied in accordance to the structure of the firm's organisation.

Due to the exploratory nature of this study and the complexity of the research area, interviews based on person-to-person interaction are more suitable than other means of data collection, such as questionnaires distributed via email. Unlike personal conversations, such indirect means of communication do not allow for any immediate clarification to be given, in case the questions posed or the answers given are misleading or being misunderstood at first.

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3.4.2 Selection of Interviewees

To ensure the reliability of the information gained through the interviews, interviewees within the chosen companies were selected on the basis of two criteria: (1) Their function within the organisation must be related to CSR and/or supply management and (2) their function must enable them to have credible and holistic knowledge of how CSR is incorporated in the sourcing behaviour of the firm.

Thus the following positions were held by the eight interviewees that represented one company each:

- Co-founder of the firm, responsible for production
- Director of Sustainability
- Purchasing Director
- CSR Quality Manager, Supply and Sourcing Department
- Product Manager
- Manager, Purchase Development Department
- Art Director and CSR Manager
- Production Manager

3.4.3 The Interview Guide

Prior to the interviews, the authors developed an interview guide, which was designed to capture all issues and questions the interviewers found relevant, and at the same time leave space for the interviewees to reveal additional aspects they found noteworthy. As Appendix 1 shows, the first and the second section of the interview guide concern general information on the interviewee and the company. It then moves to a discussion on the incorporation of CSR within the firm and the related functional structure and processes. After that, the subject of supplier relationship management is raised specifically. This section thereby gives special attention to the division of labour and the allocation of responsibility related to CSR and sourcing and the process of supplier selection. It concludes with a final section on motivational factors and external pressure related to the firm's engagement in CSR.

3.4.4 The Interviewing Process

In using the interview guide, the interviews conducted for this research resembled what Yin (2003, p. 90) calls open-ended interviews. They were semi-structured and designed to lead to an in-depth elaboration of the matters at hand, based on open-ended questions. Following the approach of naturalism (Silverman, 2005, p. 98) and taking into account that this study is very exploratory in terms of its purpose, the authors were cautious not to impose predefined concepts too strongly on the interviewees. Yin (2003, p. 59), too, points out that not being biased by pre-conceptualized opinions while listening to the interviewee is just as important in case study research as posing the right questions.

In seven cases, the interviews were carried out as face-to-face talks between the authors and the interviewee at the headquarter offices of the company, while in one case a telephone interview was conducted, due to practical reasons. In all but one case, in which only notes could be taken, the interviews were recorded using a voice recording device in order to preserve the original statements of the respondents for transcription and analysis. Interview duration varied between 45 and 90 minutes, depending on how much time it took for the authors and the interviewee to cover all issues lined out in the interview guide. In addition to the voice recording, the authors made complementary notes during the interviews, which later helped to prioritize certain aspects and insights in the analysis.

In some cases, additional questions emerged during the phases of data interpretation that followed the interviews. These questions and other issues that needed additional clarification or confirmation after the initial interview were then posed in follow-up calls or e-mails that were sent to the interviewee. Clarifying and complementing the knowledge gained in the initial interviews in this manner was crucial to develop a holistic and complete understanding of the gathered data.

3.4.5 Secondary Data

In addition to the information provided by the interviewees, additional data about the case companies was collected from their websites, accessed between February and May 2009, to get a more holistic understanding of the firm, its characteristics and background, and its activities.

3.5 Data Analysis

The purpose of this paper is to take initial steps towards building theory describing and explaining (1) the structures and process related to management of ethical sourcing and (2) possible determinants of such structures and processes. As theory building is a process of synthesizing (Langley, 1999), the chosen method of analysis in this study draws upon the interpretation and synthesis of findings that emerged from the individual empirical case investigations.

Figure 5 depicts the process of data collection and analysis followed in this study. Based on the existing literature and the theoretical framework the authors chose relevant cases to be investigated, and developed the interview guide that was applied in the investigations. After each individual case investigation, the audio recordings and notes were used to write individual case reports, which constituted the first step in interpreting the cases. Besides, the writing of individual case reports followed the logic of viewing each company as a separate case, embedded in its own, specific context. In writing and reviewing these reports, the authors could re-visit individual interviews at any time and were able to highlight and filter important findings from irrelevant information in a process of individual case analysis (cf. Eisenhardt, 1989). On top of individual analysis, the collected case reports were continuously reviewed and interpreted in comparison to each other, to identify patterns, similarities and differences across the cases (cf. Eisenhardt, 1989; Langley, 1999). Such cross-case

analysis was helpful in identifying additional cases that needed to be chosen to challenge and/or verify the authors' emerging understanding of the subject (cf. Merriam, 1998, p. 63; Eisenhardt, 1989).

The incremental development of an understanding of cross-case patterns, similarities and differences eventually formed the basis for cross-case conclusions, which resulted in the emerging theory and conceptualization, grounded in the observations made in the eight case investigations (cf. Eisenhardt, 1989; Langley 1999).

Thus, theory-building was a continuous, incremental process. The resulting overlap of data collection and data analysis represents a widely-used method of research when the research purpose is to develop new theory that is grounded in the empirical findings of case study investigations (cf. Eisenhardt, 1989; Merriam, 1998, p. 190-191).

Figure 5: the Study and Analysis Process
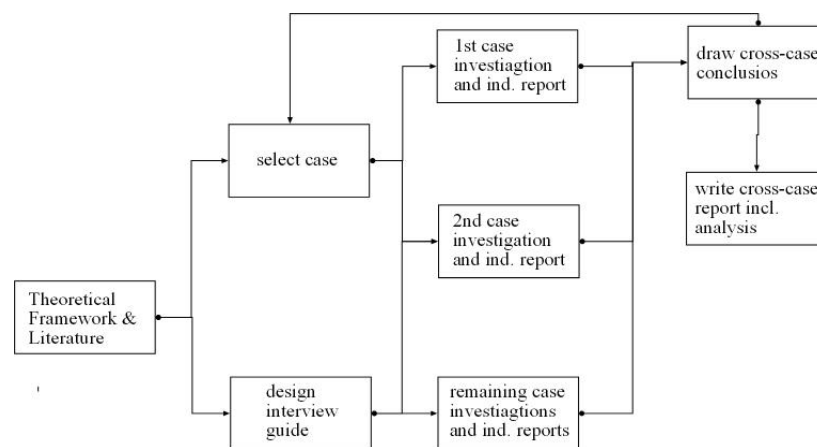
Source: Authors' own, based on Yin (2003, p. 50)

3.6   Scope and Boundaries of Research

In general, the validity of case studies is very often challenged by people who ask: How much can you really learn by examining just one or a small number of cases? As Yin (2003, p. 32-33) points out, statistical generalization can hardly be claimed by any case study. Conclusions from case investigations should not be generalized in such a way that they are claimed to be applicable on the entire population (Yin, 2003, p. 32). However, analytic generalization where empirical findings are related to a theoretical conceptualization of a phenomenon is possible (Yin, 2003, p. 32-33). Thus, empirical findings of case studies should be employed to formulate or test theory (analytic generalization) and do not need to be representative of a population (statistical generalization) (Yin, 2003, p. 32-33, 38). In this case, this means that the cases chosen for the investigation should not be

regarded as representative for the entire textiles and footwear industries. Nevertheless, there is a possibility to learn about the phenomenon of CSR integration in supply management through the investigation of these cases. This is an important distinction to make when considering the boundaries and nature of the academic contribution this case study attempts to make.

Moreover, all cases in this study are Swedish companies. As company culture and management practices are to some degree rooted in the national culture and background of the people who form the organisation (Hofstede, 1993), there may be a certain cultural bias in this study. This means, that a study investigating firms from a range of different countries may come to conclusions that may deviate from the findings of this research.

When it comes to the evaluation of study results, one thing that should be noted is that in case study research, as opposed to quantitative studies that employ sampling logic, there are no objective criteria by which to judge the sufficiency of the chosen number of cases (Yin, 2003, p. 51). It is a matter of *"discretionary, judgemental choice"* (Yin, 2003, p. 51). Consequently, certainty about study results cannot be expressed in terms of statistical parameters and other objective criteria (Yin, 2003, p. 51). Following this logic, in multiple case study research, the degree of certainty about study results can neither be absolute, nor objectively expressed. In this research, the authors did not have any a priori opinion on how many case investigations would be required. Interviews were conducted simply until patterns emerged and new interviews did not yield any significant new insights any longer. Once that general level of understanding of different types of management structures and the related processes was reached, the interviewing phase was terminated and the authors moved toward an analysis of their findings.

A general limitation in this study lies in the fact that the related interviews were conducted in English, which is neither the interviewers' nor the interviewees' native language. However, as Yin (2003, p. 60) highlights, nuances in the terminology people use when they express themselves can point at important research findings. When a person uses a language other than his or her mother tongue, there often is a lack of precision in terminology, which makes it difficult to put great emphasis on such nuances in the way people express themselves. However, all interviewees worked for companies involved in international business and therefore were accustomed to business conversation in English, which assured a sufficient level of understanding between the interviewees and the authors. On top of that, the authors were very cautious to ask for clarification and explanation in case an answer seemed blurry or imprecise.

Finally, one specific feature of this investigation, which is worth mentioning in this context, is that the interviewees' function and position within the firm and their relatedness to CSR and supply management varied. While, this is just a natural consequence of the variation in the systems that was

encountered, one should take into consideration that different people within the same organisation can have different views on the same matter, partly depending on their specific role in the system. However, although the interview guide included a number of judgemental questions, too, the focus of the interviews was clearly on a description of an organisational structure and related work procedures, which are the main subjects of the analysis presented in this paper. Such descriptions of structures and processes are relatively objective matters and leave little room for personal bias and subjectivity.

4   CASES AND FINDINGS

This chapter first introduces and describes the cases that were investigated. It includes brief, holistic descriptions of the firms and gives an overview over key characteristics of these companies that are relevant in the context of the research purpose. The chapter then moves to a general description of what characterises the management of ethical sourcing within these companies and discusses a number of aspects that are relevant in this context. Based on a further in-depth interpretation of the collected data, the chapter also identifies and describes two different management approaches linked to how ethical sourcing is practised. The chapter is concluded with a discussion of factors that can be linked to why firms manage ethical sourcing in a certain way.

4.1   The Cases

The cases studied for this research include eight Sweden-based companies in the textiles and footwear industries, which are listed in this section.

Dem Collective

Dem Collective is a young start-up enterprise founded in 2004 by two persons who simply wanted to bring more ethically produced clothes into the market. The entire business concept of Dem Collective is based on an ethical and environmental friendly supply chain. The product line consists of casual wear including jeans. Dem Collective's business is run by two independent but highly interrelated companies. Dem Collective AB is a wholesale-driven Swedish company, headquartered in Gothenburg. It owns 82 percent of Dem Collective Lanka Ltd, a Sri Lankan company that manufactures most of Dem Collective's collection. The Sri Lanka-based company employs about 15 people while three people (including the two founders) work for Dem Collective AB in Sweden. In addition to its own production in Sri Lanka, Dem Collective has contract manufacturing agreements with an Egyptian company, which shares the same business philosophy and produces some of Dem's assortment.

Haglöfs

Haglöfs is a whole-sale driven provider of high-quality outdoor clothing and equipment, which is headquartered outside of Stockholm, Sweden. It was founded in 1914 and is today owned by Ratos, a Swedish private equity firm. The company employs a staff of 90 people and handles relationships with about 25 contract manufacturers. Roughly 2/3 of Haglöfs' production is located in Asia, mainly in China and Vietnam. Other locations include Portugal and Eastern Europe. Haglöfs is a member of the Bluesign organisation.

Hemtex

Hemtex is a retail-driven company based in Borås, Sweden, whose core products are different kinds of home textiles for the consumer market. It has a staff of about 760 permanent employees. Founded in 1973 by a number of independent shop owners, Hemtex has been listed at the OMX Nordic Exchange Stockholm since 2005. The company handles about 140 relationships with subcontractors and does not own any in-house production. 70 percent of Hemtex's products are sourced in Asia while the remaining 30 percent come from Eastern Europe and Turkey. In Asia, China and Bangladesh are the prime sources of Hemtex's products. Therefore the company operates two local offices, one in Shanghai, China and one in Dhaka, Bangladesh. Hemtex is a member of the Better Cotton Initiative (BCI).

KappAhl

KappAhl is a Sweden-based company founded in 1959 and located in Mölndal. It is a retailing company and has around 3000 stores in four countries: Sweden, Finland, Norway and Poland. In 2006, KappAhl became listed at the OMX Nordic Exchange Stockholm. The product line consists of men's, women's and children's wear. The number of employees is around 4,000. KappAhl does not manufacture its collections in-house and relies entirely on contract manufacturing. The company has around 200 suppliers and the majority of the garments are produced in China. The second most important country is Bangladesh. Other countries in which suppliers are situated are India, Lithuania, Ukraine and Turkey. KappAhl has eight local offices of which six are located in Asia and two in Europe. Only two to three percent of the production comes from countries where no local office exists. KappAhl is a member of BSCI and BCI.

Melka

Melka is a clothing brand located in Mölndal, Sweden. It is today part of the casual wear division of BMB Group International. After foundation in 1946, Melka developed into a fashion brand for men with a focus on shirts. In terms of company philosophy, Melka stresses its history and Swedish heritage. Melka is wholesale-driven and employs eleven people in its Swedish head office and another 25 people at BmB's headquarters in the UK, who work only for Melka. Melka produces solely through contract manufacturing, with the bulk of production being located in China, Thailand, Indonesia, Turkey, Italy, Korea and Egypt. In total, Melka handles about 22 to 26 relationships with contract manufacturers. Due to the recent acquisition of Melka by BMB Group International, the managerial division of labour between BMB and Melka currently undergoes changes and restructuring is underway.

Nilson Group

Nilson Group is the owner of retail outlets (namely Nilson, Jerns, DinSko and Skopunkten) through which a number of shoe brands, namely DinSko, Skopunkten, Radical Sports and Ecco are being sold.

DinSko and Skopunkten are labels directly owned by Nilson Group, which is headquartered in Varberg, Sweden and employs roughly 1,100 people. Founded about 50 years ago, Nilson Group is still privately owned today. The Group does not own any in-house production and for its own labels it has around 100 suppliers, which are mostly located in China and Vietnam. Other production locations in Asia include India and Indonesia. On top of that, a small amount of production is still located in Italy, Spain and Portugal. The Group operates local offices in Taiwan and China and is a member of BSCI.

Nudie Jeans

Nudie Jeans is a young Swedish start-up enterprise founded in 2001 by a young entrepreneur, who simply wanted to *"make jeans"*. Its product line includes jeans, tops, sweaters and various garments, which are today sold in 20 different countries. Nudie's product philosophy developed around casual jeanswear with an emphasis on a casual, dynamic lifestyle that stresses individuality. Nudie Jeans is a wholesale-driven company and employs 25 people at company headquarters in Gothenburg. Nudie Jeans does not manufacture its collections in-house but uses contract manufacturing only. As of February 2009, 18 suppliers were involved in manufacturing for Nudie. All of Nudies' jeans are produced in Italy from fabrics manufactured in Italy, Turkey, Japan and the USA. Nudie's shirts are produced in Portugal.

Vagabond

Vagabond is a Swedish shoes brand headquartered in Varberg and employing about 70 people at company headquarters. Vagabond used to be part of what today is Nilson Group, but in the early 90's the owners decided to separate Vagabond from the group and give it a different business concept. Vagabond fully designs its collection and produces prototypes in a workshop located at the company headquarters. Vagabond thus spends much effort on developing its products in-house and from scratch rather than to make small adaptations to standard designs that could easily be sourced in the shoe fashion market. 95 percent of production for Vagabond is outsourced. 90 to 95 percent of the outsourced production takes place in Vietnam, the rest is accounted for by Chinese contract manufacturers. Vagabond has about ten suppliers in Asia and operates a buying office as well as its own small workshop and factory in Vietnam.

Concluding Remarks

As the case presentations show, the chosen companies vary from one another in a number of ways. Some companies have been in business for decades while others were founded recently. Their size also differs significantly, both in terms of the number of employees and the number of suppliers, which ranges from less than ten to about 200. Moreover, it is noteworthy that, although there is a clear focus on Asia in terms of supplier location, some companies also have contract manufacturers and suppliers in Europe, the USA, Japan and Northern Africa. Other characteristics worth highlighting are

that some of the firms have IPOs to coordinate their local purchasing activities and some are members of associations such as the BSCI, BCI and Bluesign.

4.2 General Observations

The following section is designed to provide an overview over different factors that describe how the investigated companies incorporated CSR in their sourcing practices. These factors are mostly commonalities that were encountered across all or a large number of the cases and give a general picture of what characterizes the management of CSR in sourcing practices among the investigated firms. In addition to that, this section also draws attention to some incidents that were less commonly encountered among the cases but still add value to a holistic description and understanding of how ethical sourcing practices were managed among the cases included in this study.

4.2.1 Supplier Selection

The procedure of supplier selection naturally is a core subject in an investigation of how CSR is incorporated into sourcing behaviour. Across the investigated companies, many different processes and decision-making procedures related to supplier selection were encountered. However, there were four basic criteria that were - in one way or another – taken into account at all investigated firms when selecting suppliers: (1) The quality of the manufactured goods, (2) the price charged by the contract manufacturer, (3) delivery performance, which refers to the suppliers' ability to timely deliver the right quantity of ordered goods, and (4) compliance with ethical standards, which concerned social and environmental aspects of production. Almost all companies included in the investigation therefore employed explicit CoCs. The signing of and principle compliance with these CoCs by the suppliers was seen as a necessity. As one interviewee said, *"the price, quality and delivery time are important, but if the compliance with the CoC is not ok, all other factors fail"*.

In terms of selecting suppliers, one interviewee stated that his firm especially considered suppliers that were already involved in contract manufacturing for other big brands in the market. The reasoning behind this approach was that suppliers already involved in relationships with other major players in the market would probably perform well on all four of the above-mentioned criteria so that the risk of problems could be mitigated.

4.2.2 Long-term Supplier Relationships

All companies investigated in this study stressed that, once a supplier was selected, they were interested in developing and maintaining a long-term relationship. Some firms had already had long-lasting relationships with some suppliers for a long while. However, the development of these long-term relationships had been a rather unconscious, incremental process. The focus on strategic long-term relationships as a conscious and explicit strategy in sourcing had often emerged only in recent years.

Some companies included in this study were currently in a process of reducing their pool of suppliers. As one interviewee pointed out, when he joined his current employer three years ago, the firm had half the turnover of today – but more than three times the amount of suppliers it has today. The reduction of suppliers was due to his explicit wish to stress long-term relationships and develop a more planned and long-term oriented approach to decisions of what to buy and whom to buy from. He also emphasised his belief that *"educating"* suppliers in a process of improving their performance on the above-mentioned criteria was an important part of managing supplier relationships. Another company referred to the staff responsible for monitoring suppliers on CoC issues as *"CoC coaches",* which highlights their responsibility as instructors and educators.

The reduction of the number of suppliers was explicitly put into the context of increased responsibilities of the purchasing department by one interviewee who stated that *"I truly believe that it is very difficult to work actively with code of conduct, quality, lead time, prices, cooperation, product development etc. with too many suppliers."*

In case of problems in compliance with CoCs on behalf of suppliers, many companies stressed that their initial reaction would be to work with the supplier in order to solve these problems together rather than to terminate the business relationship immediately. As one interviewee pointed out, *"sometimes it is not better to terminate the contract because there is always someone else who will buy from this supplier. It might be better to give the suppliers some time to improve because then we are doing something for the people in the factory. If we leave them, no one will take care of them".* However, one interviewee highlighted that such efforts to develop and educate suppliers required a lot of resources, which were limited in his company. Thus, his company could not engage in such efforts heavily.

4.2.3   Ongoing Development of CSR in Sourcing

When discussing supplier selection processes and the management of supplier relationships almost all interviewees who participated in this study referred to important recent developments within their organisation. These developments were either related to the management of sourcing, the management of CSR, or the management of both. Some companies, for instance, had international purchasing offices (IPOs) today in the countries that most of their products were sourced from. Their role was to forward orders, screen potential suppliers and perform audits on the existing ones. However, all IPOs encountered in this study had been established only within the last decade and had increased in importance. For instance the China office of Nilson Group had grown from two persons to 18 people in the past couple of years. In addition to that, the development of an explicit CoC for suppliers had often also taken place only within the last ten years. Furthermore, some interviewees highlighted that the CoCs in their organisations had been reshaped and improved over time after they had first been

introduced. As one interviewee told us, 1997 was the year the company had introduced its CoC, however, *"I will not say that it was very good in -97. But that is when we started working on it"*.

In two cases, the interviewees also referred to enhancing the management of supplier relationships through the use of IT systems and computerized data bases, which still were under construction in both cases. Other recent changes that were found within the investigated companies concerned the division of labour between managers and departments and the allocation of responsibility. At Haglöfs, for instance, the post of Director of Sustainability was first created in 2008 in an attempt for formalize the company's commitment to the concept of sustainability. At Nilson Group, a centralization of responsibility for the supplier base, including responsibility for CSR, had led to significant changes in the departmental and personal division of labour in recent years.

4.2.4 People-driven Influences in Sourcing and CSR

It became obvious that the recent changes in the management of sourcing behaviour were in some cases related to the individuals forming the organisation. For instance, evidence for the transfer of management practices through the transfer of people was found as two of the interviewees had previously worked together at a company not included in this study. Later, when they were hired separately by two different companies included in this study, they established management systems at their new employers, which were very similar to the system they had worked with previously. Thus, their personal know-how had been a key factor in spreading management practices across firms.

Other interviewee's also referred to their own experiences, for instance as expatriates working abroad in low-cost countries, as a factor that shaped their own attitude towards CSR and thereby had an influence on how they behaved and worked as an actor involved in the management of ethical sourcing. As one interviewee told us when talking about previous work experience, *"we had a small office in Bangladesh and I thought it was time to do something new, so I said I could take care of the office in Bangladesh. … Working there with production was very different. It is one of the poorest countries in the world. … During this period I got very interested in these questions. Not only the CSR question, but also the social question, especially for women and for children. … When it was time for me to come back to Sweden, I got the question if I would like to take care of the code of conduct here."*

Furthermore, the transfer of people from one organisation to another was found to influence supplier selection within the investigated firms. One interviewee pointed out that when he had been working at a company not included in this study, he developed knowledge about certain suppliers and established relationships with them, which he could use when he got hired by his current employer and needed to help in finding good suppliers.

Talking about what influenced the overall incorporation of CSR in sourcing, many interviewees also specifically referred to the top management of their firm, stating that the attitude of the people at top management level played a role in shaping the understanding of CSR across the organisation.

4.2.5   Standardized Auditing – individual Treatment

In the context of managing supplier relationships, it is important to note that all companies in this study employed some form of auditing and monitoring of their contract manufacturers. Almost all interviewees stressed the fact that their company employs routines and standards in these auditing procedures, such as time schemes for regular visits to suppliers and regular managerial meetings to discuss supplier performance. In some cases, supplier evaluation was based on scores and ranking systems that measured supplier performance on different criteria (e.g. quality, CSR, and price). One interview explained that *"every half year we have a supplier evaluation and we go through the supplier status. So every supplier will have a status and we have a rating of four levels where the first level means that everything is ok and the fourth level means that everything is lousy."*

However, looking beyond monitoring and evaluation, a number of interviewees pointed out explicitly that the *treatment* of suppliers often occurred on a case-by-case basis. While all suppliers were often monitored according to routines, using the same measurements to evaluate them, the treatment of an individual supplier, unless the conditions regarding CoC compliance were totally unacceptable, depended on the strategic importance of that supplier. In case of slight problems in compliance, suppliers that the firms heavily depended on in their sourcing activities were likely to receive more effort and patience in attempts to jointly solve the problems related to the supplier's behaviour, than suppliers that could easily be substituted.

4.2.6   Other Factors influencing the Nature of Supplier Relationships

Apart from its strategic importance, some interviewees explained that the way a specific supplier relationship was handled depended on a number of additional factors. One such factor was found to be supplier location. Several interviewees pointed out that their Asian suppliers were put under a stricter monitoring regime than their European ones. European suppliers were trusted to follow European regulations and laws in any case so that the brand-owning firms found it unlikely that those suppliers would violate the applied CoCs. On top of that, relationships with European suppliers tended to be older than those with Asian suppliers and were therefore regarded as more stable, trustworthy and mature.

A special incidence was encountered in one case, when the interviewee told about an Italian mill his firm had a relationship with. That mill was in the process of opening a production branch in India, as a measure of becoming more vertically integrated and move down the value chain. As that factory in India was going to be owned by an Italian mother company, the interviewee was very interested in

sourcing from that factory. As the Italian mother company could be trusted to follow high standards in regard to product quality, production processes and CSR, its Indian production plant, too, should be trusted to follow the same standard. Thus, the risk of encountering quality problems or ethically unsound practices in a relationship with that supplier would be minimal.

During one interview, it became evident that the nature of the product can also have an influence of the nature of a relationship with a supplier. The interviewee pointed out that his firm's products were quite complex to manufacture and involved expensive and delicate raw materials. These production conditions naturally required a more skilled labour force, which meant that the there was little room for the suppliers to exploit unskilled labour or child labour. That, in turn, meant that the interviewee's firm did not need to monitor its suppliers very closely on these issues. Instead, environmental concerns were given more attention.

4.2.7   The Role of Association Membership

In addition to performing their own audits in the factories of contract manufacturers, many companies used audits performed by third parties, too. In this context, some interviewees referred to the fact that their company was a member of a business association that was designed to better manage CSR-related issues, for instance BSCI or Bluesign. The basic concept of such associations is that companies who are members must agree with the organisations' codes on social and environmental standards in contract manufacturing and must put a specified minimum percentage of their suppliers under the auditing scheme of the association. It then becomes the association's responsibility to perform regular audits on these suppliers and report any malpractices that may be encountered. If the company wants to uphold its membership, it must take these 3rd party audits seriously and make sure all suppliers under the auditing scheme of the association comply with the set standard and that possible problems with compliance are solved quickly.

It became evident that, for the investigated companies, the main objective behind being a member of such associations was to outsource part of the auditing responsibility. However, no case was encountered were membership in external associations had substituted the company's own internal monitoring routines completely. But association membership enabled the investigated companies to rely on credible external auditing expertise and have confidence in the auditing procedure without having to allocate very much of their own attention and resources to auditing purposes. In addition to that, one interviewee pointed out that BSCI membership enabled the firm to have access to potential suppliers that already were under the auditing regime of the BSCI as they were suppliers for other BSCI members. That mitigated the concerns that would otherwise arise when considering new suppliers whose trustworthiness cannot be judged.

4.2.8 The Importance of Alertness

When discussing the general importance of managing CSR in sourcing, all interviewees pointed out that, according to their experience, consumer awareness of CSR-related issues was increasing, even though such concerns sometimes evolved more around consumer health threats (e.g. through traces of dying chemicals in textiles) than labour conditions in the factories of manufacturers. In either case, many interviewees found it important for their organisations to follow news and public debates around CSR. For example, a recent event in the textiles industry that was independently referred to by a number of interviewees was the fact that it had recently been discovered that some of the down used in the industry was plucked from live birds. When this news emerged, some of the firms included in this study found it necessary to examine their suppliers especially with regard to the down they used to make sure their suppliers were not involved in such down-plucking practices nor did business with firms that plucked down from live birds. Thus, being informed about what media reports and what is being publicly discussed was regarded important. *"We don't want to be caught with our hands down, that could potentially be very dangerous for us financially",* as one interviewee said.

4.2.9 Concluding Discussion

What is important to note is the fact that all companies in this study acknowledge the need for ethical behaviour in sourcing and, as suggested by Proposition I, employ certain mechanisms to deal with that challenge. What they perceive as CSR in souring is similar to Crane and Matten's (2007, p. 388) view that ethical sourcing consists of both social and environmental aspects. In order to check compliance with CSR guidelines, many of the investigated companies rely on CoCs they impose on their suppliers. Some also use membership in associations as a tool to enhance the monitoring of suppliers. These findings are in line with Neef's (2004, p. 35) argument that firms cannot evade social and environmental responsibility even when production is outsourced. In general, however, this study shows that CoCs and the way ethical sourcing is managed have often matured only recently or are still under development.

In addition to the increasing recognition of the need for ethical behaviour in sourcing, there is an increasing focus among the investigated firms on long-term approaches in supplier relationships and a related reduction of the number of suppliers. The companies are interested in engaging in long-term partnerships with suppliers and in further developing these relationships. These implications of an increasingly strategic approach to sourcing are similar to what Enarsson (2008, p. 151), Talluri & Narasimhan (2004), Trent & Monczka, (1998) and Watts et al. (1995) argue. It is also remarkable that, as suggested by Neef (2004, p. 182), many companies stressed their wish to improve supplier performance in a cooperative manner instead of ending the relationship in case of slight problems.

Moreover, the importance of individuals within an organisation should be noted. Evidence was found for the influence that top management attitude can have on CSR policies and understanding and for the

fact that experiences can shape an individual's point of view on CSR. Moreover, individuals' knowledge and know-how can be transferred and spread as people move from one organisation to another.

4.3 Management Approaches

In this section, two different approaches to managing CSR in sourcing that were found among the investigated companies are described. The division into these two systems is based on a grouping of the cases, depending on how labour and responsibilities were allocated among the actors within the examined firms. In this paper the two approaches are referred to as the "control-based system" and the "shared responsibility system". In control-based systems, the responsibility for CSR issues in sourcing and the responsibility to monitor and choose suppliers lie with one entity, while the responsibility for placing orders lies with another. In a system based on shared responsibility, several units share the responsibility for suppliers' compliance with the CoC. In accordance with the different management approaches, the role of managers responsible for CSR in sourcing was also found to differ. Similar to the two systems, two distinct manger roles could be identified, based on the approach taken to manage CSR in sourcing. In this paper, one role, found in control-based systems, is described as "the controller", while the other, found in shared responsibility systems, is called "the educator".

However, it is important to bear in mind that these distinctions, grounded in the data gathered for this study, are concerned with a typology of roles, structures and procedures. They are not completely accurate descriptive accounts of each individual case. One should not forget that each company is a unique organisation, with a unique background and is embedded in a unique external environment. Therefore, the presented systems and approaches were found to exist in a variety of forms with company-specific characteristics and adaptations.

4.3.1 Control-based Systems and Controllers

In control-based systems, one specific organ or department, often headed by the controller, is responsible for maintaining and developing a suitable and adequate pool of suppliers the firm can source from for the coming seasons. The responsibilities of this department typically include responsibility for screening and monitoring potential and existing suppliers, evaluating them, and approving cooperation with them. These procedures often follow routines and use systematic ranking to measure supplier performance on different issues.

CSR is one of a number of topics the department needs to consider when managing the supplier base. In addition to being responsible for ensuring compliance with the CoC, the department is often also concerned with the price charged by a contract manufacturer, the quality of the delivered goods and the manufacturer's delivery performance. Thus, the responsibility for CSR in control-based systems is directly linked to sourcing and embedded in an overall responsibility for the quality of suppliers.

Although the control unit should be informed about product development and about what kind of products should be sourced for the next season, it is important to bear in mind that the control unit in such systems is neither directly responsible for product development, nor for the placement of specific orders. The buyers of the firm, whose responsibility is to place orders, on the other hand, are not concerned with checking compliance with CoCs as the suppliers have already been approved and are continuously being monitored by the control department.

Figure 6 shows an example of a control-based system. In this case, the supplier base is under direct control of the Purchasing Director and his department. The buyers only have access to that base and can choose a supplier from it to match with a specific order they want to place.

Figure 6: Example of a Control-based System
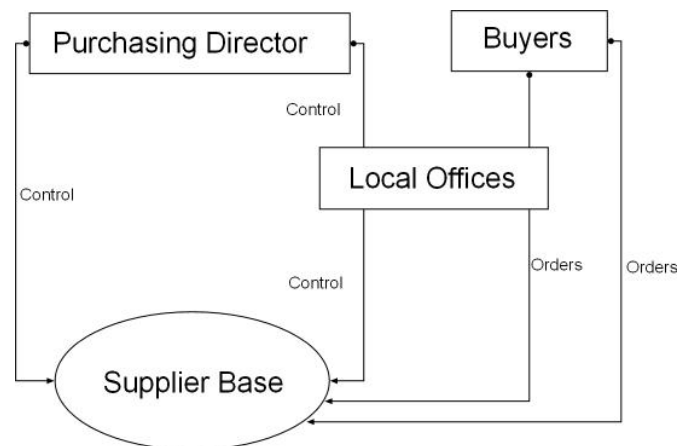
Source: Authors' own

In this example, there also are local offices in some of the countries of production. In such countries, both control over suppliers and the placement of orders are executed through that office. Local offices employ personnel who are in charge of performing audits at current suppliers as well as finding and screening potential new ones. They directly report back to the controller (in this case, the Purchasing Director) on their work. In addition, the local offices also employ merchandisers who forward orders from headquarter buyers to the suppliers located in their country.

As could be seen, at the core of control-based systems lies a strict division of labour. When asked about the motivation behind this style of management, one interviewee pointed out that in his opinion, buyers were either not well enough educated about CSR issues or they were simply not interested, which is why he didn't trust them to make CSR related decisions. The same interviewee stated that the relationships between buyers at company headquarters and suppliers could become quite personal, which is why controlling suppliers should be the responsibility of a different and more unbiased entity.

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Another argument was that buyers should be able to devote all their attention to making the right choices about ordering (i.e. what to order and how much) without having to worry about CSR issues and other concerns related to supplier performance at the same time.

### 4.3.2 Shared Responsibility Systems and Educators

In shared responsibility systems, the division of labour is less rigid than in control-based systems. The department responsible for purchasing and the company's buyers responsible for placing orders also carry responsibility for compliance with CoCs. Whereas in control-based systems the system as such and the coordination of work is most important, systems evolving around shared responsibility are much more driven by the general embeddedness of an understanding of CSR across *all* sourcing related functions, positions and activities. Furthermore, shared responsibility systems are often characterized by a higher degree of informal communication among actors involved in CSR and sourcing.

Some cases of shared responsibility do not employ any manager or unit that explicitly carries overall responsibility for CSR, but rely on the CSR understanding of everyone involved in sourcing. Other shared responsibility systems include the position of one manager whose responsibility is to spread an understanding of CSR within the organisation and thereby achieve the desired embeddedness of CSR in sourcing behaviour. However, in contrast to the controller, this manager acts mainly as an educator.

This educator does not have any absolute and direct power over the use of specific suppliers, but develops policies and directives on how to handle sustainability and CSR in supplier relationships and then educates and reminds buyers constantly about these guidelines and rules. Thus, rather than to have the role of an executor on CSR issues, the educator's responsibility is to instruct and supervise *others* on how to do. Ideally, in the eyes of an educator, sustainability and CSR should eventually be so embedded in the organisation that she/he would not be needed.

Figure 7 shows an example of a shared responsibility system including the position of an educator. In this example the management of CSR in sourcing evolves around a Sustainability Committee, which holds regular meetings headed by the Director of Sustainability (SD). The members of the committee includes the CEO of the company, four out of the five buyers (B1-B4), the Production Manager (PM), and three additional members from other departments of the firm. In this case, it is the Production Manager's responsibility to select and approve suppliers, while the buyers place orders and are also responsible for the internal audits performed at the suppliers. The role of the Director of Sustainability is to supervise CSR work on a general level, educate his colleagues and be in loose contact with the suppliers. The Sustainability Committee serves as a platform to pass on information, discuss and solve current problems and decide future courses of action.

Figure 7: Example of a Shared Responsibility System
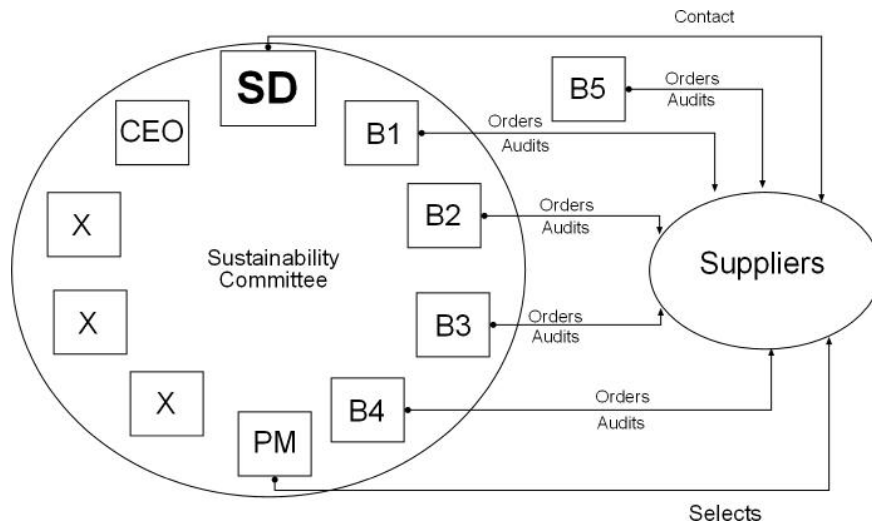
Source: Authors' own

4.3.3   Concluding Discussion

Based on the collected data, two very different ways of incorporating CSR in sourcing can be identified. One highlights control and a strict division of labour while the other one relies on sharing responsibility and embedding CSR into sourcing functions and activities on a general level.

Control-based systems try to assure proper implementation of CSR policies through separating the responsibility for the performance of suppliers (including compliance with the CoC) from the responsibility for placing orders. Thus, the unit responsible for supplier performance has the sole power over which suppliers the buying department may order from. In contrast, shared responsibility systems spread the responsibility for CSR so that it is incorporated into the responsibility of everyone involved in sourcing, including the staff that place orders.

Control-based systems therefore show typical features of standardization as described by Mintzberg (1979, p. 5) while approaches based on shared responsibility evolve around mutual adjustment. Even though the role of the educator, who was found in some cases, also encompasses a certain degree of what Mintzberg (1979, p. 3-4) calls direct supervision, one interviewee explicitly pointed out that, ideally, his position should not be needed. That highlights that shared responsibility systems strive for an embeddedness of CSR in sourcing that can be managed through mutual adjustment mechanisms and direct supervision is only a tool to achieve such embeddedness.

Furthermore, it is noteworthy that none of the three categories established to guide the sampling process were found to have any explanatory power over which of the two management approaches

was found at a company. Control-based systems were more often encountered among retail-driven companies and older firms, while shared responsibility systems were frequently found among whole-sale driven firms and young enterprises. However, the interviews did not provide any significant evidence that the above-mentioned characteristics were in any way linked to the management system a company employed or had any determining influence over the kind of system.

4.4   The Why-Question: Answers and Explanations

The frequent occurrence of the two systems in the various categories is more likely to be related to other factors that distinguished the cases in this investigation from one another: *the number of suppliers, the location of suppliers* and *the nature of the product*.

All cases employing shared responsibility systems were companies with less than 30 suppliers, while companies with more suppliers relied on control-based systems. Thus, the authors suggest that the number of suppliers has a significant influence on whether a firm employs a control-based system or uses an approach based on shared responsibility. It is logical that a larger number of suppliers requires more staff in the purchasing department. Thereby, the number of suppliers is an indirect indicator of the size of an organisation. That, in turn, ties the conclusion drawn from this study to Mintzberg's (1979, p. 230, 248) statements that large organisations are characterised by a high degree of division of labour, specialization and standardization, as observed in control-based systems, while smaller firms employ mutual adjustment mechanisms.

In addition to that, control-based systems were commonly found among companies that stressed the importance of monitoring their suppliers and checking their compliance with CoCs. In contrast, some of the companies employing a shared responsibility systems did, for various reasons, not see the same need to strictly monitor their suppliers on CSR issues in a very formalized manner. Apart from the number of suppliers, these reasons were the location of suppliers and the nature of the product in question.

Several interviewees pointed out that the location of a supplier has an influence on how strictly it is monitored and how much that supplier relationship is characterised by auditing and control. Problems related to CoC compliance were assumed to be less frequent and less typical for suppliers in developed countries than for suppliers in developing countries. Linking this observation to the two management approaches identified in this study, it is noteworthy that all firms using control-based systems sourced the vast majority of their products from Asia and only a small proportion of their supplies came from developed countries. In contrast, the firm that sourced most of its products in the developed world, and mentioned that fact as a reason for seeing little need to monitor CoC compliance, employed a shared responsibility system. Thus, firms sourcing mainly from the developed world may therefore be likely

to employ a shared responsibility approach while a large amount of developing-country suppliers may lead to a control-based system, requiring a separation of buying and controlling activity.

Another factor that was found to be linked to how much CSR-related control was exercised over suppliers was the nature of the product, which naturally determines the characteristics of the manufacturing process. As one interviewee, working in a shared responsibility system, pointed out, the probability that malpractice on behalf of the firm's suppliers would occur, was naturally limited by the complex nature of the manufacturing process that did not allow the employment and exploitation of unskilled or child labour. Thereby issues related to CoC compliance were mainly linked to environmental concerns, limiting the scope of CSR concerns in supplier relationships. Therefore, the authors believe that the nature of the product, which determines the characteristics of production - and thereby limits or widens the scope of CSR-related concerns - has an influence on the management approach. If the manufacturing process is complex in nature and CSR-related concerns are limited, the firm is likely to rely on shared responsibility, while less complicated production conditions that can lead to a variety of CSR-linked issues needed to be controlled, may require a control-based system.

5   CONCLUSION

5.1   Concluding Remarks

The purpose of this study was to explore the structural and procedural links between CSR and supply management functions within brand-owning firms in order to understand the managerial mechanisms employed in ethical sourcing practices. Moreover, it strived to identify factors that may have an influence on how ethical sourcing is managed within brand-owning firms.

The investigation of eight Swedish companies, chosen from the textiles and footwear industries has found strong evidence for conscious approaches companies take to manage CSR in their sourcing behaviour. It confirmed that controlling CSR aspects in supplier relationships, often through the use of CoCs, has become an important part of supplier selection and supply management processes. However, the results of this research show that the incorporation of CSR into sourcing is still a relatively new phenomenon and the related management structures and procedures within companies have often matured only within the last decade or are still experiencing further development.

How exactly CSR is managed and interlinked with supply management functions varies and evolves around two fundamentally different approaches in terms of division of labour. One is based on separating the responsibility for selecting suppliers and controlling them on a number of quality aspects, including CSR, from the responsibility for the placement of orders. In such systems, the entity responsible for selection and control has power over which suppliers the buyers of the firm may work with. In contrast to this control-based system, systems based on shared responsibility strive to spread an understanding of CSR among all purchasing-related functions and actors. In these systems the responsibility for controlling suppliers is shared and also involves those whose main task is the placement of orders.

In this context, it is worth highlighting that the two different approaches of managing ethical sourcing could not be linked to any significant differences in the way firms perceive the concept of CSR, as this study found no noteworthy evidence for such differences in CSR understanding. Instead, this study argues that what kind of system is employed within a firm is influenced by the number of suppliers, the location of suppliers and the nature of the product in question. A small number of suppliers, a high reliance on suppliers from the developed world and a product that is complex to produce are factors that seem to favour a shared responsibility system. A large number of suppliers, a high reliance on suppliers from developing countries and a product that is simple to manufacture are factors that are likely to favour a control-based system.

To conclude, having identified the above-described two systems and three influencing factors, this study has laid a foundation for a conceptualisation of management structures and processes related to ethical sourcing practices that can be enhanced and developed through further research.

5.2   Limitations of Study Results

When evaluating the results of this study, several factors should be considered. First of all, the identification of factors influencing how ethical sourcing is managed is unlikely to be all-inclusive and does possibly not include all possible factors that could be identified in this context. It is reasonable to assume that more extensive research employing a larger sample could result in the identification of additional factors influencing the way ethical sourcing is managed.

In this context, it is also important to stress that each company is a unique organisation embedded into a unique context. Therefore, the kind of system a company employs to manage CSR in sourcing is the result of a combination of different influences, which makes it difficult to single out the determining effect of one single factor alone.

Furthermore, this study was based on an investigation of two specific industries. Therefore, although the results contribute to a generalized understanding and conceptualisation of the management of CSR in sourcing, the empirical observations that were made, may, to some degree, also include industry-specific features. Moreover, the fact that only Swedish firms were included in this research could have an effect on the results as well due to the influence cultural differences can have on people and organisations.

5.3   Suggestions for Future Research

The set-up of this study, its conclusions and the limitations of results lead to a number of suggestions related to how future research could further enhance knowledge in this area. Keeping in mind that this research was undertaken as a qualitative study, based on a limited number of cases, one suggestion for further research in this area is to test the strength of the identified relationships between the two management approaches and the three influencing factors (i.e. the number of suppliers, the location of suppliers and the nature of the product) in a quantitative and statistical manner.

In addition to that, the findings of this study, which was based on companies from the textiles and footwear industries, could be compared to how ethical sourcing is managed in other sectors. Replicating this study by including more and different industries could result in a more holistic understanding of the management of ethical sourcing practices in general. Furthermore, as this study included only Swedish firms, a different national setting could be chosen for a replication of this research to highlight possible cultural influences on ethical sourcing practices.

It is also possible to further enhance the understanding of the management of ethical sourcing by focusing on a different unit of analysis. This study examined ethical sourcing management at company headquarters, but the results of this research imply that IPOs do also play a role in this context. Thus, it may be interesting to examine in-depth the internal division of labour among IPO staff and explore the differences in the structure and processes within IPOs, possibly depending on whether they are part of a control system or a shared responsibility system.

Moreover, this study encountered the spreading of management practices through transfer of managers from one organisation to the other, without being able to identify whether this, too, could have a decisive influence on what kind of system is employed. Therefore, looking into this aspect more thoroughly and exploring what importance the influence of such spreading of practices has when compared to the influence of the three factors identified in this study may also make remarkable contributions to a further understanding of this topic.

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APPENDIX 1: INTERVIEW GUIDE

1. Personal Background of the Interviewee

- What is the interviewee's current position within the firm? What reasons led to the interviewee having that position?
- What has been the interviewee's involvement in CSR and/or supply management/purchasing within the firm over time?
- What is the interviewee's structural working environment? Is he/she part of any departments or teams?

2. Company-related information

- When was the company founded?
- How many employees does the company have?
- Are the company's internal structures rather flat and informal or hierarchical and formal?
- How many suppliers does the company have?
- Where are these suppliers located and how much of total production do the different countries approximately account for?
- Has the number of suppliers increased or decreased in recent years? If yes, why?

3. CSR in Sourcing

- How can the company's concept of CSR be characterized in a few words?
- When was the company's Code of Conduct established? Have there been any major changes or revisions of the Code of Conduct?
- How does the structural framework for the incorporation of CSR into supply management and sourcing (incl. geographic locations) look like?
- What are the reasons for choosing this structure?
- Who is responsible for CSR in sourcing activities and who do they report to?
- What is the division of labour between people involved in sourcing and CSR?
- How often do CRS representatives and supply management representatives meet? On what occasions do these meetings take place and what is discussed?
- Are employees within the firm given education and training on CSR issues? If yes, who is responsible for that?
- Are there any typical common problems related to these structures and procedures?
- Have there been any significant changes in these structures and procedures in recent years? Are changes likely in the near future?

Managing Supplier Relationships

- What is the procedure for selecting a new supplier or terminating a supplier relationship? Who is involved in that process?
- Who has the final decision power with regard to terminating a relationship or entering into a new relationship with a supplier?
- What influence has the rise of CSR had on the process of supplier selection and supplier management?
- Are the suppliers monitored and audited regularly? If yes, who is responsible for that?
- Have there been any significant changes with regard to how supplier relationships are managed in recent years? Are changes likely in the near future?

4. External pressures and motivation of CSR

- What is the company's overall motivation to engage in CSR?
- What kind of external pressures (e.g. legal requirements, consumer pressure) play a role in this context? Have these pressures changed in nature over time?
- What influence does the current public (i.e. external) discussion on CSR have on the internal structure and procedures related to supply management and CSR?