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SCHOOL OF BUSINESS, ECONOMICS AND LAW

# **Managing Corporate Social Responsibility in External Sales Channels**

*- A Case Study of Volvo Trucks*

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**Undergraduate School**

Bachelor Thesis in Management

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Spring 2011

## ACKNOWLEDGEMENTS

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It is with a high amount of satisfaction we acknowledge that we have completed our bachelor thesis. We would like to take this opportunity to thank some people that have helped us along the way.

We would like to begin by expressing our gratitude towards the International Division at Volvo Trucks for their contribution and for taking time from their busy schedule. All of the respondents deserved to be mentioned by name, albeit since you are anonymous in this thesis, a special thank you will have to do. Without your first-hand knowledge this thesis would not have been possible to write, and for that we are truly grateful.

Furthermore, we would like to thank our mentor Johan Jakobsson for his constructive criticism, continuous guidance and help, when we needed it the most. Johan, we are profoundly grateful for your support and it has been a privilege to have you as our mentor.

Last but not least, we would like to thank our close friends and family, for standing by our side with unconditional and monumental motivation, even at times when the nerves got to us.

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Gothenburg, June 2011

# ABSTRACT

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## **Managing Corporate Social Responsibility in External Sales Channels**

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**Problem Introduction:** The area of corporate social responsibility (CSR) is today an inescapable debate, and along with globalisation, multinational corporations (MNCs) have to approach business development with the interest of internal and external stakeholders in consideration. Whether the MNC is of realistic blame or not, the corporation will be affected for violations against CSR-commitments. MNCs have increasingly found negative impacts on the trademark occurring outside the walls of internal channel operations, influenced by their external partners, such as the external sales channel. In order for the MNC to nourish values and provide stakeholders with a rightful vision, there is a need for influence and control of external sales channel activities.

**Purpose:** The purpose of this thesis is to study the MNC's CSR implementation in external sales channels, along with the possibility of assuring that the external sales partner acts in accordance with MNC CSR- policies and visions.

**Research Questions:** How does a MNC try to assure that its external sales channels follow CSR- policies? Does a MNC have a framework for CSR-policies considering external sales channels?

**Method:** We have used a deductive approach and conducted qualitative interviews with three respondents from our case company. The empirical findings were thereafter analysed in regard to the theoretical framework.

**Conclusion:** In terms of managing responsibilities, together with regulations and policies, a strong corporate identity, mutual consensus expressed through an integrated structure and an attractive brand, appear to provide clear benefits.

**Keywords:** Corporate Social Responsibility (CSR), External sales channels, Intermediary, Interdependency, Volvo Trucks, CSR-policies, Multinational Corporation

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# 1. INTRODUCTION

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*Through this chapter we aim to provide the reader with an introduction of the research field and problem discussion of the thesis. Firstly, we will describe the subject by defining background information and definitions. Subsequently, this will lead us onto our problem discussion, thereafter purpose and questions of research. Our hope is that it will deliver an understanding on why this field of research is relevant and interesting to study, further in what way we believe it will contribute to current knowledge and research findings.*

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## 1.1 Research Background

### 1.1.1 Corporate Social Responsibility

The area of Corporate Social Responsibility (CSR) has emerged as an inescapable debate for corporations and business leaders (Freeman, 2010 [1984]; Carroll & Buchholtz, 2003). Frequent news have for years brought up the need of CSR sustainability - referred to as corporation development that flourishes over a long time without standing in conflict with the needs of future generations (Hirschland, 2006; Carroll & Buchholtz, 2003). CSR is a direction and definition of the fundamental values that the corporation stands for and obliges to uphold (Löhman & Steinholtz, 2003). Corporate ethical issues arise through interaction between businesses, as well as on an internal corporation level, by daily confrontation of moral decisions in conflict with CSR visions (Crane & Matten, 2007). It is therefore vital to see beyond core operations, in order to meet expectations and the demand of stakeholders- *“...any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the corporation”* (Carroll & Buchholtz, 2003:70). Moreover, there is interdependency between the society and the corporation, which can be seen as a two-way interaction between stakeholder and corporation - a central idea in the understanding of CSR (Carroll & Buchholtz, 2003; Porter & Kramer, 2006).

The corporation's reputation has commonly been used to validate CSR initiatives, claiming they will improve corporate image and strengthen the brand (Porter & Kramer, 2006; Sarah Roberts, 2003). A variety of academic studies have confirmed that the collaboration between business and CSR is profitable, with greater financial results and higher share value, following to responsibility transparency reporting and ethical consideration (The Economist, 2000:83).

Since international commerce is increasingly expanding it is vital to talk about globalisation at large, in association with CSR (Pedersen & Huniche, 2006). Globalisation has, as a key economic and social driver, increased the establishment and rise of multinational corporations (MNCs). They are under the eyes of many stakeholders, considering their influence and contribution to various parts of the global societal environment – representing CSR conflicts at a global level (Carroll & Buchholtz, 2003). As for the preceding fifty years there has been an unrelenting call for more socially responsible behaviour from MNCs and the interrelated relationships in which the corporations are engaged in (Löhman & Steinholtz, 2003).

Foreign MNC operations have required confrontation with principles and ethical issues of high differentiation, in order to create corporation valuations in accordance with CSR (Löhman & Steinholtz, 2003; The Economist, 2000:83). Consequently, the ground for international business has been altered and it is important for MNCs to build deeper and stronger relationships with business partners, considering the corporation is increasingly finding its operation being held accountable for decisions and actions. This results in a more complex global network and CSR- values influencing a broad operation division, constructed of suppliers, production and sales channels (Pedersen & Andersen, 2006; Porter & Kramer, 2006; Egels-Zandén, 2010).

## 1.2 Problem Discussion

The MNC's vision of responsibility has been defined as *guilt by association* – “... an argument that agents are responsible for injustice by virtue of their structural connection to it, even though they are not to blame for it” (Egels-Zandén, 2010, cited Young 2003:40). Unrelatedly, whether the MNC is of realistic blame or not, the corporation will be affected and held responsible for violations against CSR. By the norm of guilt by association, one is led to the conclusion that various stakeholders will hold the corporation accountable (Egels-Zandén, 2010). MNCs find themselves being criticized, and whether they have been doing right or wrong does not essentially matter after accusations have infected the corporate trademark (Carroll & Buchholtz, 2003). This has increased the need for management tools and CSR assurance, in order to prohibit negative impacts on the MNC (Pedersen & Andersen, 2006; Sarah Roberts, 2003).

However, MNCs have increasingly found that the negative impact on the trademark is occurring also outside the walls of internal channel operations, influenced by external partners – such as suppliers, distributors and sales channels (Sarah Roberts, 2003; Anderson & Maize,

2005). Defined as part of an *extended enterprise* – “...business partners in all parts of the value chain: external sales channel partners, suppliers, subcontractors, distributors...” - can be seen as the presence of a corporation to the public (Anderson & Maize, 2005:24). Thus, by presenting an image of dedication for CSR issues, the MNC compliance has to be shared throughout the external enterprise, in order to nourish reputation with precaution. One challenge today lies in how MNCs are to implement, comply and safeguard their fundamental values, when partially using external channels (Pedersen & Andersen, 2006; Anderson & Maize, 2005).

With a direct connection towards customers and the public, required to address the needs of various stakeholders (Anderson & Maize, 2005), we have found external sales channels of particular investigation interest. Being in direct contact with end- customers, they carry the possibility of increasing and reducing value. Therefore there is a concern that the MNCs CSR- values may be damaged, if not maintained according to stated corporation vision (Parment, 2006; Schary & Skjøtt-Larsen, 2001).

In order to secure and maintain the CSR image, MNCs will require insight and influence in external sales channel activities. This requisition can further contribute with relationship difficulties, since the MNCs desire for control, may stand in divergence with the external sales channel business strategies (Parment, 2006). The MNCs wish to influence, along with its desire for a external sales channel partnership, might therefore lead to a conflict of interest. The difficulty is finding a way to obtain and assure an external sales channel to increasingly act in association with MNC visions (Parment, 2006; Crane & Matten, 2007).

### 1.3 Purpose

According to Parment (2006) and Schary & Skjøtt-Larsen (2001) far too little focus has been created upon the subject of external sales channels and the field has seen theoretical absence. Up until recently, external sales channels have been separated from the core operation. The function of external sales channels is often systematically included in various parts of the MNC operation, seen as a mere tool for the sales of a product to a final customer (Havila, 1993; Parment, 2006; Schary & Skjøtt-Larsen, 2001). The need for further investigation is vital, since decisions based on an external sales channel level will affect the MNC, regardless to the relationship carried between the external sales channel and the MNC (Parment, 2006; Schary & Skjøtt-Larsen, 2001).



With this thesis, our hope and ambition is to contribute to this specific field of research and will therefore view the relationship carried between the MNC and its external sales channels, along with the effect it has on the MNC. With the approach towards stakeholders, in the hands of an external sales channel, the question is how a MNC tries to assure that the external sales channel will fulfil its obligations and comply with CSR-policies (Pedersen & Andersen, 2006; Havila, 1993).

The purpose of this thesis will therefore be to study how a MNC tries to control that its external sales channels act in accordance, and comply, with the MNC's CSR-policies. To fulfil the purpose, the discussion of this thesis will be derived from the following question:

**Main Research Question:**

*How does a MNC try to assure that its external sales channels follow CSR-policies?*

We have also chosen a sub question with the objective to examine if a MNC has a framework for CSR issues, in order to try to control that its external sales channels will oblige and follow CSR- values.

**Sub Research Question:**

*Does a MNC have a framework for CSR-policies when considering external sales channels?*

## 2. METHODOLOGY

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*This chapter presents the methodological aspects of the research work within this thesis. Hence the selection of method will profoundly affect the outcome we will in the following description discuss our research design, the selection and acquisition of empirical data. Finally, we will discuss the reliability and validity of our findings.*

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### 2.1 Research design

The choice of method is dependent on the nature of the studied subject and problem. To fulfil the purpose of our thesis it was vital to select an accurate method (Merriam, 1994). In the solvation and interpretation of our problems and findings, within our field of research, a qualitative method approach based on interviews and a theoretical framework has been used. A qualitative method approach is eminent by its purpose to create understanding of a topic (Ibid). Furthermore, our thesis is based on a deductive approach, were we began our study by familiarizing ourselves with the research field through extensive literature and scientific articles review. After attaining a comprehensive knowledge and profound understanding of the topic in our field of research, we created a theoretical framework and collected empirical material consisting of interviews. Thereafter, the empirical findings were analysed with regard to the theoretical framework and conclusion were drawn (Ibid).

Our main objective was to create a profound understanding of our chosen research area and its surroundings, through gathering and combining both primary and secondary data. Having a certain amount of flexibility, we have been able to collect more data along with the increasing of our knowledge, thus creating an expanded foundation for the discussion of our research question (Holme & Solvang, 1996).

One perceived disadvantage has been our prior focus on the interviews, in order to attain deep pragmatic understanding. Through this we have become greatly dependent upon the information provided through the interviews, reducing the possibility of generalisation (Holme & Solvang, 1996).

#### 2.1.1 Case Study

Different areas of empirical research command for different research approaches. Due to the content of the research problem we have used a case study as a tool to find answers for our research question, in which in-depth interviews played a prominent role (Merriam, 1994).

Normally, when choosing a case study method it is with the purpose to attain a deep understanding of a particular situation, person or event, not with the intention to find something that can be generalized or applied numerously (Ibid).

When the researcher is looking for an explanation, laws or if hypothesis testing is the target of the conducted research, there is normally a disadvantage to use this method. Nonetheless, when the purpose is to receive a deeper understanding and a broadened experience within what is already known, this disadvantage disappears (Ibid).

### **2.1.2 Selection of Case Company**

With the purpose to answer our research question, we have chosen to undertake an empirical study based on one case company. We conducted case study interviews with our case company for the purpose of collecting primary data through face-to-face interviews. The interviews will be discussed thoroughly later on in the method chapter.

Not surprisingly, when starting to look deeper into the area of focus, we found that research evidently indicates that when operating in a global environment a MNC will inevitable face more conflicting pressure and experience that it is far more difficult to meet stakeholder demands (Egels-Zandén, 2010). With this as a base, we required finding a corporation with operations in several markets around the world. Moreover, the company had to be dedicated to CSR issues as part of their current and future daily procedures.

Along with these prerequisites we were given the opportunity to conduct interviews with the international division of Volvo Trucks, a part of Volvo Group, which is a company that is recognized as a world leader in this respect. Consequently, we established a sampling based on both convenience and judgment to address our research problem (Merriam, 1994).

#### ***2.1.2.1 Volvo Group and Volvo Trucks***

Volvo Group is one of the world's leading providers of commercial transport solutions. With production facilities in 19 countries, sales activities in 180 countries, and around 100,000 employees, the MNC has an extensive global presence. Today, Volvo Group has a global industrial structure with both suppliers and manufacturing, as well as distribution and sales channels, present in all of the world's continents (Volvo Group, 2011).

Volvo Trucks, part of Volvo Group, is the second largest producer of heavy trucks (above 16 ton) and transport solutions within the truck industry. It supplies the transport industry with whole transportation solutions, and reaches customers by operating with over 2300 sales

channels and workshops in more than 140 countries. Sales and services are conducted through both wholly owned and independent sales channels (Volvo Trucks, 2011).

Volvo Group is commonly ranked as a world leader, for its performance and investment both in social, economic and environmental terms. Its sustainability efforts have qualified for top ranking in external evaluations, by for example the Dow Jones Sustainability Index World. Volvo Group has received particular high rankings for the way that it deals with environmental issues, working environment and corporate governance but also ended up high on the list for its compliance with code of conducts and anti-corruption policies. Volvo Group is supporting global compact frameworks, for example the UN Global Compact, along with declarations for human rights. Volvo Group was also the world's first car-manufacturer to join the Worldwide Fund for Nature (WWF) Climate Savers Initiative (Volvo Group Sustainability Report, 2010).

## 2.2 Data Acquisition

### 2.2.1 Empirical Data

The primary data in this thesis is collected via personal interviews and meetings with Volvo Trucks International Division.

#### *2.2.1.1 Interview Selection Process*

The interview procedure emphasizes the significance of close relationship with the source of information (Merriam, 1994). Establishing relevant and reliable sources was challenging and has certainly included a large amount of patience and consistency. Our first contact was with a senior management executive within Volvo Trucks International Division at the headquarter in Gothenburg. As we aimed to get in contact with persons with significant knowledge and responsibilities in our chosen research field, this contact helped us setting up whom to meet for the different interviews and guidance for further research.

The interviews carried out have been made possible through the snowball effect (Merriam, 1994), meaning contacts were introduced to us through other contacts. With help from our first contact, three respondents were selected based on two criteria; firstly, their ability to answer our specific questions and to do so by making critical decisions based on their professional position, and secondly, based on their role as representative for Volvo Trucks (Ibid). We conducted interviews with one Market Manager, one Strategy & Culture Manager and one Aftersales and Retail Development Manager, in this thesis referred to as Andersson, Svensson and Karlsson.

### 2.2.1.2 *Structure of Interview Procedure*

We used a semi-structured approach as our technique when conducting our interviews. A semi-structured technique implies both structured and unstructured questions and thus ensuring no valuable material is lost, such as thoughts and reflections (Merriam, 1994).

By using this kind of procedure, we were able to compare the answers among the respondents. In order to attain in-depth answers and understanding we used questions of open character. In our case all interviews were based on the questions presented in the interview guide in *Appendix 1*. However, at several occasions, during each of the interviews, one question led to a series of other questions, which aroused throughout the discussions.

We sought for a dialog in order to get closer to the respondent; hence assuring his/her actual feelings towards the topic was revealed and correctly interpreted. We tried to avoid asking leading questions in order to avoid biases and reflexivity, meaning that the respondents gives what the interviewer wants to hear (Yin, 2003). Additionally, we probed on asking questions from different angles, while we acknowledged that it was vital to keep an openness and objectivity as far as possible. Furthermore, to avoid social disturbance in the interviews, we practiced an ordinary and everyday language (Merriam, 1994). Since all respondents were native Swedish speakers this was the language spoken, however, with extensive English terminology, a more appropriate definition would be to say that we were exercising “Swenglish”.

The interviews were all carried out at the offices of the respondents, which allowed us to get a brief insight of the organisations. The interviews brought out varied in time, whereas the shortest duration was 50 minutes and the longest was 1 hour and 40 minutes, with both authors being present at all times.

All interviews were recorded. We wanted to make sure to not forget or miss out on important information and at the same time we also wanted put all our focus on the interviews itself. To the best of our knowledge, the respondents seemed relaxed with this and encouraged us to record the answers. One disadvantage with doing this could be that the person being interviewed might feel uncomfortable (Merriam, 1994), however, we rest assure that the advantages of doing this overcomes the disadvantages.

### 2.2.2 **Secondary data**

To build a wide foundation for our thesis, in addition to the interviews, we also used secondary sources. Since our field of research is of broad characteristics, we believed that it was vital to create an insightful foundation and knowledge prior to the empirical study. It has

provided us with the possibility of gaining knowledge before examining the research questions further in detail (Merriam, 1994).

Studied areas were international code of conducts and guidelines such as the OECD Guidelines, developed for Multinational Enterprises (MNEs), the UN Global Compact and ISO Standards. The secondary data was collected mainly from the Internet; primarily from related webpages but also by reviewing publications and electronic academic articles provided by various databases within University of Gothenburg. An advantage is that this kind of study provides the possibility to obtain immediate and extensive information, in order to establish a theoretical base for profounder analysing. Nonetheless, it was important to decide which data to use with precaution and continuous reflection, since inaccurate information may lead to a wrong discussion and conclusion (Holme & Solvang, 1996).

We have further studied Volvo Group's annual sustainability report (2010) to create an understanding of the corporation's fundamental values and CSR-related work and applied policies. This will be further examined and discussed in the empirical data chapter.

### **2.3 Validity & Reliability**

A prominent strength of the case study data collection is the opportunity to use many different sources of evidence (Yin, 2003). In this study the main sources are the different respondents at Volvo Trucks, who were all guaranteed anonymity. Additionally, by asking similar questions to all respondents, which all had different professional roles, the answers were triangulated (Ibid).

As this thesis makes many assumptions on the personal observations of the interviewees, one should bear in mind that the information attained from our respondents is based on their views and personal observations and might not correspond to the real environment. Nevertheless, the perception is their reality since people inevitable act according to their perception. After all, the respondents are individuals whom inevitable pass on their personal experience, which not necessary must be in accordance with the organisation's objectives (Merriam, 1994).

With a limited time period to conduct our research within, we have chosen to use only a few persons for our interviews and we are aware that this might bias the empirical data and analysis, and perhaps not constitute a complete image of the reality. Hence the thesis is based on one single case and the outcome may not provide a solid ground to transfer directly to

other companies. We do not intend to give a broad overview and therefore one should be cautious with oversimplifying based on our findings. The findings are first and foremost related to our case company and generalising based on the results of this study should be used with precaution. However, this thesis aims to show our findings and indications of certain trends within the external sales channel relationship of a MNC and its CSR-assurance rather than contribute to a generalising picture or model.

## 2.4 Limitations

In this thesis we will focus on Volvo Trucks and not the industry as a whole. The study is foremost focused on the MNC's ability to influence its external sales channels and thus, is centred around investigating the MNC. Consequently, potential limitation could be linked to the notion that an increased depth and differentiated perspective could have been realized if increased time and resources would have been available, in order to gather data from the external sales channels connected to the MNC.

## 3. THEORETICAL FRAMEWORK

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*Within this chapter we are striving to provide the reader with theoretical framework, used in the composition and discussion of the thesis. Firstly, we will define foundational concepts and theories regarding CSR, which our field of research and empirical evidence will be based upon. We will further discuss MNC positioning and influence when operating when operating through external sales channels.*

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### 3.1 Global Corporate Social Responsibility Maintenance

There is not just one definition for the CSR concept, but numerous of various explanations are to be found (Hunice & Esben, 2006, Carroll & Buchholtz, 2003). Since covering a wide societal imperious subject, the complexity is explained by the CSR concept at its nature representing dynamic and complexity (Crane & Matten, 2007; Hirschland, 2006). To succeed it is important to take into account what has so far not been managed by commandments (Hunice & Esben, 2006).

When facing international business, it is hard to shape policies, regulations and responsibility actions considering country differentiations. MNCs have been under critique for exploitation of foreign markets, arguing that they do not apply consistent CSR- values throughout the operation (Crane & Matten, 2007). Language barriers, culture, business climate and customer demand, is influencing the international market structure, creating difficulty when setting CSR standards and requirements (Johanson, 1994; Carroll & Buchholtz, 2003; Crane & Matten, 2007).

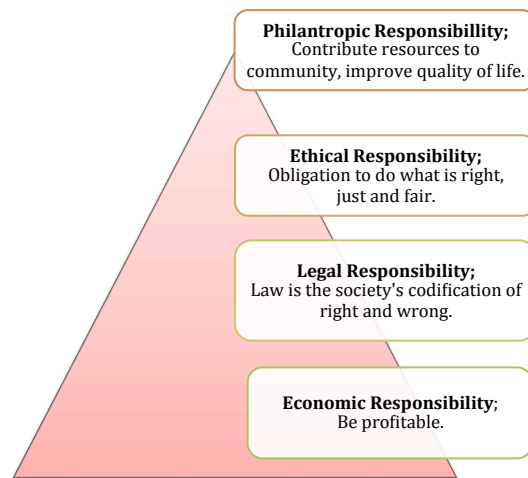
### 3.2 The Pyramid of CSR

Archie B. Carroll's (1991) CSR Pyramid (*Figure 1*) has been widely used in theoretical frameworks. Carroll's theoretical description of the "Corporate Social Responsibility" concept is that a corporation has to create economic profit and generate shareholders, as well as be obedient to law and provide ethical and social support (Carroll, 1991; Hunice & Esben, 2006). Therefor there is requirement for commitment towards profitability, maintenance of competitive positioning and operating efficiency (Carroll, 1991) - a foundation upon which all other responsibilities rest. Law responsibility is of essential reason for free enterprise construction, parallel with economic responsibility, and is the society's codification of right



and wrong. Ethical responsibility declares for what shareholders believe as justice and creates a definition on moral stakeholder rights. Philanthropic responsibility, the being of a “good citizen”, may lastly be achieved through contribution of resources to the community (Carroll, 1991; Crane & Matten, 2007).

### The Pyramid of CSR



(Figure 1) *The Pyramid of CSR*

Source: Authors Own;

Inspired by Archie B. Carroll (1991)

It is vital to note that no definition is defined as the right one, hence this one is of no exception. However, it is believed to create a profound foundation in the understanding of the CSR complexity and – “*do what is right, just, and fair and to avoid or minimize harm to stakeholders...*” (Carroll & Buchholtz, 2003:40).

### 3.3 From a Stakeholder Perspective

Edward Freeman (2010[1984]) is foremost connected to the CSR theory based upon a stakeholder view. He argued that far too little focus had been carried out regarding maintenance of interest outside shareholder visions and corporate profitability, therefore that a stakeholder view is of essence (Freeman, 2010[1984]). Stakeholders are the individuals or groups that the corporation is interacting with and affecting – having a “stake” within the business operation– and can be defined as external and internal stakeholders. (Carroll & Buchholtz, 2003:69). External stakeholders are defined as government, customers and community members. Internal stakeholders on the other hand are defined as business owners and employees. In order to maintain CSR responsibility, a corporation has to take into consideration both its external and internal stakeholders (Carroll & Buchholtz, 2003; Carroll, 1991).

#### 3.3.1 The Customer as a Stakeholder

The vital meaning for business purpose and creation is the “creation of customers” (Carroll & Buchholtz, 2003:357, quoting Peter Drucker), valuating the importance of fostering and

maintaining a profitable relationship with customers. In order to nourish the relationship it is important to create an understanding of the constantly changing demand, provide with a rightful desire but also to secure a long-term satisfaction and feeling of security. Increasing demand for quality and safety has been seen, including service, in order to achieve CSR sustainability (Carroll & Buchholtz, 2003; Parment, 2006).

Studies have indicated a positive reputation of increasing product and brand value, when there has been an indication of CSR within MNC activities. The debate on customer responsibility has increased in correlation with corporation desire for profitability, possibly portraying the brand with misinformation regarding the product or MNC trademark (Carroll & Buchholtz, 2003; Chi-Shiun et al., 2010). By using an external sales channel, the sales oriented business partner is in direct contact with one of the main stakeholders, end customer, and may implement strategies merely focusing on profitability. The MNC's desire for a long-term customer relationship might therefore stand at risk, if the customer is not provided with demanded and promised service, quality and safety of a product (Parment, 2006; Welch et al., 2007; Schary & Skjøtt-Larsen, 2001; Carroll & Buchholtz, 2003). This may not only harm the MNC's stakeholder visions but the reputation on the brand and product itself (Schary & Skjøtt-Larsen, 2001; Chi-Shiun et. al, 2010).

### **3.3.2 The Community as a Stakeholder**

Theory is referring to the wellbeing and contribution to the society within which the MNC is operating and using sources from. The corporation needs to create an impact on the philanthropic, focusing on culture, development and rights. Through this stakeholder contribution, the value of the MNC is strengthening. However, one of the main issues for the MNC has been the differentiation of culture, ethics and norms on the international market. When operating through an external sales channel it can therefor be inevitable to avoid domestic and foreign differentiation, creating a complexity for the MNC in the decision of corporation policies and maintenance of CSR visions. Mutual awareness and ethics are therefore vital, in order to decrease differentiation and create common understanding of CSR visions, creating possibility of fulfilling global community demands (Carroll & Buchholtz, 2003).

### **3.3.3 The Government as a Stakeholder**

It is vital for MNCs to act in accordance to governmental laws and regulations, since the corporation will influence and affect publics and government through their business activities. The government is seen as a stakeholder of strong influence and interaction on MNC activities, and the wellbeing of other stakeholders. However, there might be a clash between

”two systems of belief” – the ethics of a corporation and the ethics of a government (Carroll & Buchholtz, 2003:311). This is of strong vitality when dealing with international business affairs, such as MNC’s external sales channels, involving a domestic and foreign system of regulations and ethical norms. External sales channels may stand in opposition with the MNC’s domestic governmental regulations, creating complexity for the corporation, when aiming to fulfil the demand of the government as a stakeholder. This is in regard to the desire of government, to influence the MNC’s domestic operations and create standards, along with the clash between an individual and collective belief (Carroll & Buchholtz, 2003; Schary & Skjøtt-Larsen, 2001; Crane & Matten, 2007).

### **3.3.3.1      *The Global Stakeholder***

Global standards are principally voluntary agreements implemented in order to address potential CSR issues, and are intended to meet changing societal expectations and demands. Made on a corporate level or by international organizations, they provide recommendations for CSR practices and guidance through ethical behaviour and solvation of conflicts of interests, frequently occurring considering differentiation (Crane & Matten, 2007; Pedersen & Andersen; 2006). Global standards can be seen as definitions of CSR, codes of conduct or global policies, taking into account the ethical sensitivity, and providing with tools in the management of desired values and guidelines, when operating internationally (Crane & Matten, 2007; Carroll & Buchholtz, 2003). These standards are used in all types of corporations, providing insurance for both internal and external stakeholders that the company will comply with specific requirements and guidelines, in order to get certificate.

There are many different internationally accepted Standards available, the United Nations Global Compact (GC) and International Organisation for Standardization (ISO) being one of them. The creation of international standardisations is a multi-stakeholder process in which industry, consumer, and government, as well as science and academia are involved – viewing CSR from a global perspective (ISO, 2011; Global Compact, 2011).

### **3.3.4    *The Employee and Owner as a Stakeholder***

In comparison to external stakeholders, the employees and owners are within the MNC’s operation, consisting of the corporate management and workforce. Policies are therefore created upon the beliefs and culture of the corporation and are further evaluated internally or through the vision carried within a product or service. However, this is likewise referring to the business of external sales channels, creating potential misinformation to the final customer through the product or vision of the corporation. There may further arise conflicts of strategic development, cultural values and profitability visions between the MNC and its external sales

channel. For the MNC there is a risk that the sales channel will separate part of the operation from the rest of the corporation, creating a possibility of lost control and misinformation, all in order for the external sales channel to increase its profitability, fulfilling the demands of internal stakeholders, while not focusing on external stakeholders (Carroll & Buchholtz, 2003; Crane & Matten, 2007).

#### **3.3.4.1 Managerial Strategy**

Corporate activities, in regard to CSR, are advised to implement within the MNC's managerial strategies, considering this is where corporation values are established and evaluated. When integrating responsible thinking at a managerial level, it is more evident that it will be considered throughout the operation channels and taken into consideration when operating within a global market. Between the MNC and its external sales channel, focusing on an equal understanding at a managerial level is required. Within the business collaboration, clear strategies are to be implemented to create a sustainable relationship that will provide both actors with profitability, while taking external stakeholders into consideration (Carroll & Buchholtz, 2003; Axelsson & Easton, 1992).

### **3.4 Foreign Sales Operations**

Operations within a foreign market are conducted with the strive of international business activity, making decisions regarding the method of foreign operations of vitality, since they will have an impact on the future performance of the MNC (Welch et al., 2007).

When operating through an external partner the MNC gains increased market knowledge, financial resources, secured connections and transferred potential business risks. In some cases a foreign business partner is required by legal restrictions, in order to access the desired market (Parment, 2006; Welch et al, 2007). The external partner therefore has a central role within the business relationship, considering it positively and negatively can impact the relationship carried between the MNC and its stakeholders (Havila, 1993; Parment, 2006).

#### **3.4.1 Outlining MNC Influence**

When defining the context of control, it is not mainly based upon concrete laws and strict decisions but on the amount of influence, initially used throughout the business collaboration between the MNC and its external sales channels. It is a definition on the extent one has influence over external and internal corporation effects; the latter meaning it is part of the MNC organisation (Johanson, 1994).

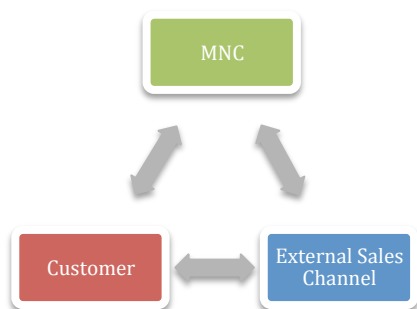
Engwall and Johanson (1980) argued that it is vital to recognize the outgoing and ingoing structure of control; meaning a corporation can both affect as well as be affected (Engwall & Johanson, 1980). Previous focus has majorly been created upon the internal influences, the corporation business, while actions made internally are of managerial control. However, it is evident that external factors simultaneously have a desire of influence on the corporation, decreasing the MNC's overall influence (Johanson, 1994).

### 3.4.1.1 Intermediary as a Sales Channel

When working on an international market, there is most often an additional party involved within the business operation, in this case the external sales channel. Foremost it is of function to provide the MNC with an easier access and establishment within the desired market – defining it as a sales oriented business intermediary (Havila, 1993; Parment, 2006).

The most common way to define an intermediary is that it has a bridge function, helping the MNC to reach out, hence the business between the intermediary and customer can be viewed in itself. The MNC operation carried may be affected, depending on the formation of business relationship involved, determined by the positioning between the actors involved (Havila, 1993).

The business relationship can be viewed as a two – or three party form. In the latter meaning that there is frequent contact carried between all three actors, creating a focus as a whole where – “... all of its members are dependent upon its continued existents...”(Havila, 1993, quoting Thibaut & Kelley, 1959:192). The priority is to put the system at focus and not mainly individual accomplishment (*Figure 2*). In contrary relationship can be carried based on external sales channel used as a mere intermediary, creating a separation from the corporation (*Figure 3*) (Havila, 1993).



(Figure 2) Three Party Form; Source: Authors Own



(Figure 3) Two Party Form; Source: Authors Own

### **3.4.1.2 Mutual awareness**

It has been argued that the MNC's operation is limited by the quality of relationship established with its partners; further defined as a long-term commitment differing from an immediate interaction. In order to establish a sustainable relationship, a long-term commitment between the partners has to be created (Axelsson & Easton, 1992; Johanson, 1994). All is furthermore established through a common atmosphere, providing the joint organisation with a culture needed to create understanding of common ethics, otherwise hard to establish and follow considering differentiation. Through the creation of mutual awareness, the MNC will increase chances of putting the whole system at focus and gain in closer contact with the end-customer (Axelsson & Easton, 1992; Schary & Skjøtt-Larsen, 2001; Carroll & Buchholtz, 2003; Havila, 1993).

### **3.4.2 Interdependency Positioning Issues**

The interaction within and between a MNC and its external sales channel can be defined as a system creating roles and leading to interdependency (Havila, 1993; Johanson, 1994). Along with increasing globalisation the MNC operation is affected by various internal and external stakeholders. The depth of interaction created among the stakeholders involved, measures the extent to which the MNC will achieve its visions (Johanson, 1994).

Since an external sales channel itself is part of another operation system, the requirement for influence is emerging around the MNC, creating desire for positioning in relation to other internal and external corporation channels. Interdependence is referring to the integration of activities and desires for influence upheld within a business operation, since every activity affecting the MNC is part of another more or less extensive chain of activities (Johanson, 1994).

According to Parment (2005), the MNC's control and influence over their external partner activities will be determined by the strength and attractiveness of the MNC's brand. If the MNC's brand is attractive to sell, this will attract various external sales partners, hence providing the MNC with increasing influential power. In comparison if the brand is weak, the external sales channel will be less dependent and attracted to the specific MNC's brand, leading to different terms regarding the dependency between the two and therefore different influential positioning (Parment, 2005).

Furthermore, the dependency may be determined based upon the external sales partners diversified product and brand portfolio, meaning that with an increasing portfolio the external

sales partner will be less dependent on every single brand (Parment, 2005). There is further empirical evidence showing that external sales channels, only providing one MNC with their service, are more dependent on the MNC. The MNC may then easier control and influence actions in accordance to corporation values and visions (Johanson, 1994; Parment, 2006; Havila, 1993).

Consequently, the interdependency within the relationship can also be described from the external sales channel's point of view; the more desirable the external sales partner is, the more the external partner will have to say and its influential power will neutralise the MNC's initial power. In this case, an external sales partner might instead prefer to distribute and sell other brands and products, if it does not find the terms offered by the MNC attractive enough (Parment, 2005).

## 4. EMPIRICAL DATA

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*In the first chapter we discussed the research field and gave a direction of what to study whereas we in the second chapter specified how to move towards examining these issues. In this chapter we will present general issues that were raised in the introductory chapter as well as in the theoretical framework. To do so we will discuss our empirical findings derived from our conducted interviews with the case company. This will include Volvo Trucks' CSR vision, external sales channel activities, regulations and policies, long-term relationships, brand awareness and leadership strategies.*

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### 4.1 Volvo Trucks CSR Vision

According to Volvo Group's Sustainability report (2010), the corporate culture is built upon genuine concern and long-term relationships, crucial in order to maintain a sustainable industry and society. It is stated that current sustainability involvement is not additional and implemented due to up-to-date debate and market requirement, but has constantly been vital in strategic decision making. Volvo Group wants to show strong stakeholder awareness throughout the business development and management strategies, and consider it shaping their brand identity and value.

Volvo Group states that its CSR- values are based upon economic responsibility - creating customer value contributes to increasing value for shareholder, benefiting the corporation. Furthermore, Volvo Group argues that it strives to nourish stakeholder relations – internal and external – in providing the best benefits and creating long-term relationships of satisfaction. It takes into account the society by engaging in the development of the communities of operation, and invests in environmental care – reducing the impacts carried out by its operation, and investing in development and innovation.

According to Volvo Group Sustainability Report (2010), new opportunities, product and service developments, along with strategies of management, have a holistic approach towards CSR responsibility and are believed to create long-term profitability and value. Volvo Group strives to manage suppliers and contractors', believing it is of importance to maintain responsibility vision throughout the entire corporation operations. (Volvo Group, 2011).



## 4.2 Volvo Trucks External Sales Channel Operation

According to Andersson, Svensson and Karlsson (2011), the Volvo Truck strategy to operate through external sales channels, an independent sales partner within a certain market, is primarily based upon historical reasons. The desire to increasingly commit resources is determined by the market stability reassurance, since the corporation wants to guarantee profitability, nourish its trademark and maintain stakeholder satisfaction. Karlsson believes that an external sales channel is providing Volvo Trucks with customer and market connection, while at the same time reducing potential risk, since it does not require equal amount of financial resource commitment otherwise needed.

When operating with an external sales channel however, it has been evident for the corporation that in comparison to an internal channel, the control lost to an external partner may be of issue. This is something that both Svensson and Karlsson agree upon. Through internal actions, Volvo Trucks has a profound insight within the business activities and is in control of the ingoing and outgoing information flow. Relationship nourishment is required no matter the situation, however Karlsson believes that an external sales channel will never provide the corporation with full security and consequently command a high level of focus.

*“... we cannot assure that we can hold the same amount of control, since part of that control is put in the hands of others. It is however our ambition in the future, to be able to hold that tight relationships moving towards the same amount of control as with a wholly owned sales channels.” (Karlsson).*

Andersson, Svensson and Karlsson concur that managing and controlling external sales channels is an important matter for the MNC, however that it is a challenge to obtain the same control as they do with internal channels. They are further not sure if it is possible to fully control actions driven by an external sales channel.

### 4.2.1 Difference in CSR-approach

Initially, the very first and most basic rule to manage the external sales channel activities is to investigate before even establishing a partnership - *“... remember that it is a lot easier to get in a partnership than to get out”* (Karlsson). Issues, for example of environmental and social responsibility, are taken into account before agreements are made. According to Svensson and Karlsson, an external sales channel will be analysed and evaluated in order to meet the demands, guidelines and extensive prerequisites that Volvo Trucks has put up. However, none of the respondents are able to answer whether requirements and evaluations are made equally for all potential external sales partners or if they are adjusted to partner, market or other circumstances.

The economical base is agreed upon from all respondents as being the very basic foundation and that corporations must see a mutual gain and profitability with the relationship, in order for demand to be altered and higher achievement agreed upon. According to all respondents, there is a desire for Volvo Trucks to adjust operations according to market demand and increasing profitability. However, this shall not stand in opposition to corporate norms and values. Karlsson highlights that one of biggest barriers to overcome in the beginning of a relationship, is the risk in the strategic thinking of an external sales partner.

*“Sometimes, they (external sales partners) tend to look at every single deal as a deal that has to be made with a profit, and maybe then sometimes overlooking the longer-term aspects and future gains that is essential when approaching stakeholders” (Karlsson).*

Karlsson sees a risk that an external sales partner might have merely profit-oriented focus, since it enters the agreement with financial investment and may wish for fast payback in return. Andersson, Svensson and Karlsson, state that Volvo Trucks is sougning for a long-term sustainable relationship with both the customers and the external sales channel. However, all respondents believe that this vision might not always be easy to transcribe to the external sales partner, and the respondents are therefor not able to state that it always is.

### 4.3 Regulations and Policies

Prior entering a business partnership, Svensson and Karlsson state that clear policies and standards are presented, and later regulated within the contract between Volvo Trucks and the external sales partner. They believe this is needed, in order to assure that the core corporate values are maintained even outside the internal organisational borders. Svensson and Karlsson claim that Volvo Trucks has clear regulations specified for each external sales partner, although that they may vary from the regulations and standards required within the internal operation of Volvo Trucks. However, both respondents claim that not all regulations and policies can be stated as compulsory, when entering an agreement with an external sales channel. It is hard to set the same regulations as the ones within Volvo Trucks internal operation, since the external sales channel might not be at the same level. Instead it is the willingness for improvement that is of significance.

*“The external partner has to show the ambition and willingness to improve in line with our expectations, in order to meet our Volvo Trucks standards. What is vital to remember is that all is about business development, not only about making sure to stick to rules. The rules are there for a reason” (Karlsson).*

### 4.3.1 Regulations as Indicators of Measurement

According to Svensson and Karlsson, the regulations and policies are good in the way that they make it possible to benchmark between different partners. Where Volvo Trucks for example has wholly owned sales channels, the corporation uses regulations and policies to compare internal with external partners. This is a way to find both positive and negative aspect differing between them. Moreover, Svensson points out that Volvo Trucks has some internal sales partners, used as comparison and guide for the external sales channels ones to take after. Andersson believes that by building a corporation on a profound culture of values and long-term relationship with certain sales channels, Volvo Truck's other sales channels will have incentive to desire for the same relationship.

Even though it is not possible to measure everything, all of the respondents agree that management control systems are truly important and crucial. *"When you start measuring things it becomes easier to see what is working and what is not. You get concrete indications and answers, making it possible to transform into actions of improvement"* (Svensson). They believe that through continuous communication, education and follow-ups on standard and policy evaluation, there can be measurement of performance.

#### 4.3.1.1 *International Code of Conducts*

According to all respondents, Volvo Trucks has declared a binding agreement with the UN Global Compact (GC) regulations, aiming to attach strategies of business development with principles of human rights, labour policies, environmental care and anti-corruption strategies. The corporation was one of the first MNCs to sign the GC contract, allowing operational transparency and evaluations on ethical business behaviour and stakeholder investment (Global Compact, 2011, Volvo Group, 2011).

Furthermore Andersson states that Volvo Trucks has agreed to use OECD Guidelines, developed for Multinational Enterprises (MNEs), as an instrument of measurement on CSR applications of responsibility. Developed are policies declaring correct MNE ethical business behaviour, according to environmental, societal, human, consumer and regulating issues (OECD).

When asking whether these policies are implemented in the agreement with the external sales partner, the respondents are not able to answer the question fully. As previously mentioned, they believe that not all regulations and policies carried within the Volvo Trucks organisation can be stated as compulsory requirements towards the external sales channel. They are

usually adjusted to the organisation and circumstances of the external partner and the respondents believe that it is the willingness for improvement towards the standard of Volvo Trucks that counts.

#### **4.3.1.2      *Organisational Code of Conducts***

The corporation has further implemented principles, integrating the GC and OECD guidelines with corporate values and internally shaped policies. These are regulations stating ethical behaviour for Volvo Trucks, along with its partners of collaboration, to take into consideration and follow. According to Andersson, the policies have considered differentiation of international markets in order to assure that both the domestic and foreign regulating systems are taken into account. However, Andersson believes that not all differentiations may be taken into account but that they are adjusted, in regard to existing Volvo Trucks regulations. Furthermore, the organisational code of conducts state approved and expected business behaviour, legal requirements, ethical conducts, stakeholder approach, environmental principles and human rights (Volvo Group, 2011).

#### **4.3.1.3      *ISO - Standards***

According to Svensson and Karlsson, Volvo Trucks demands that the external sales channels are certified in line with two ISO standards; ISO 9001:2008 and ISO 14001:2004. These are attempts to provide insurance, both for internal as external stakeholders that the external partner will work and comply with specific requirements and guidelines. These are initially set up in line with Volvo Trucks values and identity. These ISO standards are not specific at first; in fact they are used in all types of organisations and industries worldwide. However, Volvo Trucks uses them as a base, thereafter adding on numerous of requirements to it - “... *since policies and standards are quite general by definition, we use them as a base and then extend them*”.

Svensson and Karlsson describe that the ISO 9001:2008 is a management system, which consists of a set of standardised requirements for quality, based on an international consensus on good quality management practice. The standard provides a framework that helps to manage different kind of processes, in order to better meet customer expectations. Furthermore, ISO 14001:2004 is a management system that addresses environmental aspects and constitutes the basis for determination of environmental management, whereas it addresses different specific environmental requirements (Svensson, Karlsson).

These two ISO-standards define the requirements of a corporation, albeit not defining that it will fulfil specific goals or ensuring that the corporation at a specific time will live up to

optimal performance regarding the goals. The standards are based upon the fundamental concept of continual improvement. For example, the ISO 14001:2004 is foremost developed to help corporations to reduce their environmental impact, however simultaneously leading to other economic benefits including higher compliance with legislative and regulatory requirements by utilizing the standard (Sheldon, 1997).

#### **4.3.1.4 Dealer Operating Standard (DOS)**

Svensson and Karlsson believe that management control systems are very important, in order to create a consistency all over the world, and for their dealers – sales channels - Volvo Trucks is implementing Dealer Operating Standards (DOS). This includes numerous aspects in order to assure that it will look the same regardless where in the world its sales partner is situated, or depending on the type of sales channel. “ *We need to have a consistency in the way we brand ourselves. Especially, since we operate through complex networks all over the world*” (Karlsson).

Exactly what DOS is taking into account the respondents cannot share, since this is seen as a competitive tool. However, we are told that it covers areas such as general management, premises, parts, service, sales, corporate identity and environment. It has a foundation of ISO 9001 and 14001, but is far more extensive. “*It goes far beyond with about 56 mutual requirements, but then Volvo Trucks has added additional requirements, now amounting to roughly 210 requirements*”(Svensson). According to Svensson and Karlsson, external sales channels are evaluated according to these standards, however, unfortunately the respondents were not able to tell us more in detail what DOS includes and how it is evaluated.

Furthermore, Karlsson describes that Volvo Trucks uses a third party, an authorized and certified external contractor, to handle all the waste from its sales channels. These contractors are experts hired in order to manage all the waste in line with the dealer-operating standard. He argues that Volvo Trucks cannot afford to be put in any situation where for example the oil spill is not taken care of properly and therefore might hurt the surrounding environment or community. - “*... It is way too costly for us to be highlighted in media in such a way, it just may not happen...*”(Karlsson).

#### **4.3.1.5 Operational Guidelines (OG)**

According to Svensson and Karlsson, Volvo Trucks goes through the entire organisation, with the help of Operational Guidelines (OG) - in this case the organisation of the external sales channel. In the operational guidelines, all aspects of requirements (for example management, sales, aftermarket etc.) needing to be fulfilled in order to meet Volvo Trucks’ requirements

are stated. Every single partner is given a grade, with a maximum of 1000 points, making it easier to overlook prominently shortcomings and what needs to be improved for next time. Further the external sales channel performance is evaluated in accordance to the OG on a yearly basis.

#### 4.4 Building Long-Term Relationships

Andersson states that Volvo Trucks strives to be a reliable business partner, in order to achieve long-term relationship with its selected external channels. Nonetheless, building a long lasting market structure is not something that is done over night. Partnerships are, by definition, diverse in many aspects, especially when operating globally. Interest, culture, and resources, will inevitable differ widely from partner to partner.

Andersson describes that through the establishment of a close relationship, continuous communication can be carried out, making it easier to assure actions according to regulations and Volvo Trucks' corporate visions. All respondents agree that it is of great benefit to maintain a close connection and constant dialogue, since this will create a foundation of mutual understanding and trust between the corporation and its external sales channel. Not only does this create potential for increasing control, but it also facilitates evaluation on actions and declares whether they have been in accordance to Volvo Trucks' regulations and visions.

*“Since we cannot do all the audits, be there at all time, we need to make sure that our fundamental values are highlighted even when we are not there... in order to create and assure customer satisfaction” (Andersson).*

All respondents agree that it is furthermore vital to create an understanding that regulation and visions are tools in the creation of business efficiency and stakeholder satisfaction. When a mutual understanding is created, both Volvo Trucks and its external partner will achieve profitability, extending with a long-term relationship created with satisfied customers, further important in the maintenance of brand identity and values. Volvo Trucks ambition is that every relation with customers should maintain for a long time and therefore it is of essence to ensure a close relationship with the external sales partner likewise.

*“ Our ambition is that the customer will use our product for many years, then sell it further in order to come back to us and by a new one. Thus, the second purchase is done by itself, as we sell through derived from a relationship that is already established” (Svensson).*

Karlsson highlights that if mutual understanding is built upon long-term relationships, both Volvo Trucks and its external sales partner will create equal visions with increasing quality – *“visions composed will create exciting needs... meaning that the supply will exceed stakeholder expectations and satisfaction”* (Karlsson).

#### 4.4.1 Integrating Leadership Responsibility

According to Svensson and Karlsson, in order to motivate the corporation divisions to act in accordance to regulations, policies, responsibility, and the developed Volvo Trucks’ values, the transformation of personal behavioural has to start at a managerial level - *“...leaders must show the way”* (Karlsson). The development of leadership, in association with corporate values, is a creation of role models, striving to create a desired internal structure and thereafter influence its external operations. Karlsson states that it is vital that the managerial team implements policies and strategies foremost, since actions need to shadow their decisions in order to create a trustworthy brand image.

*“It is the job of our managers to explain and practice the theory to all employees and help them integrate it in their daily work. Leaders have to sustain as role models.”* (Karlsson).

Albeit, the external sales channels are not Volvo Trucks employees, nevertheless their behaviour will affect the perception on the Volvo Trucks image. Therefore, Svensson and Karlsson agree that Volvo Trucks strives to conduct this vision when working both internally and externally, implementing responsibility thinking onto the leadership level, in order to reach out to as many external divisions as possible.

Svensson and Karlsson further state that this is of particular importance, since Volvo Trucks sometime faces issues, beside cultural and norm differentiation, regarding the level of hierarchy within the external sales channel organisation. The type of management and strategies performed by Volvo Trucks may then not stand in agreement with the external sales channels, since they are used to a structure of their own. Both respondents mean that Volvo Trucks sees an easier way of influencing, once leaders are on board with desired values and regulations.

## 4.5 Creating Brand Value Awareness

As an industrial MNC, Svensson argues that Volvo Trucks has a profound geographical and product oriented profile. Furthermore Andersson and Svensson state that Volvo Trucks aims to be seen as a premium brand, with a connection to high standard and quality. Andersson

states that it is of strong vitality that Volvo Trucks' brand values are penetrated throughout both the internal and external parts of the corporation, with a corporate cultural driven development, in order to maintain corporate values.

According to Karlsson, it should not be reflected in the eyes of a customer whether the corporation is operating through external or internal channels, only that it is performed in a matter of brand value and responsibility. This is vital in order to create customer loyalty and a long-term relationship. In regards to external sales channels, they are the face of Volvo Trucks out to many stakeholders - meaning that it is of essence that Volvo Trucks' brand values are visible throughout the sales channel likewise.

#### 4.5.1 Corporate Culture – The Volvo Way

According to Andersson, internal and external stakeholders are making intangible capital a significant factor in the attractiveness and value of the organisation, by constantly evaluating Volvo Trucks. Andersson further states that The Volvo Way is founded on the idea that every individual has the capacity and willingness to develop a professional and responsible approach. It is within the concept of The Volvo Way that Volvo Trucks has founded its corporate culture, defining strategies and values, which through actions will come to notice for stakeholders.

The values are based upon clear economical visions, quality and environmental care and pursuing development and innovations. Andersson argues that Volvo Trucks believes that this may be exercised through the development of a culture that is emphasising passion, individual respect, corporate identity, communication, long-term relationships and strong leadership. Based upon this Volvo Trucks aims to create a corporation that will breathe shared values.

The Volvo Way is the base within the business development, and what is essential is for its foundation to be incorporated within the actions throughout the entire Volvo Trucks organisation. Svensson adds that when operating with a stakeholder, it is not only the final product that is evaluated but also the relationship and value it carries and stands for. Through a successful implementation of a corporation culture, Volvo Trucks strives to create a long-term relationship that is of desire for stakeholders.

*"By practising what you preach, you will be a role model for your organisation. It is not an easy or quick path to follow but takes lot of time and effort. However, it is essential in order to clearly show what the corporation stands for and must obey" (Andersson).*



Furthermore, according to Karlsson, the aim is to integrate the culture identity within the external sales channels, in order to shape their business activities and continuously follow the product. However, when addressing an international market, it is vital that the corporate culture takes into account the market differentiation. Corporate culture is an ambition that is further adjusted depending on the system of a market or operation division, with the core values of The Volvo Way constantly shaping adjustments. However, Andersson can not certainly say that all other divisions within Volvo Trucks are aware of the development of corporate culture and values that The Volvo Way stands for.

#### 4.5.2 Corporate Identity

Andersson states that, regardless to the extent or system of operation - internal or external - the principles of valuation and brand awareness are of priority, and the image of Volvo Trucks must stay consistent and of equal value. In order to maintain this, the respondents agree that Volvo Trucks continuously has to approach with a desire for increasing brand identity awareness.

According to Andersson, stakeholder satisfaction and loyalty is at focus, which is not achieved merely by product sales. Working within a consumer-oriented industry, the brand value is essential, providing the product with an image of expectations and values.

Through brand management Volvo Trucks has aimed to build a premium brand image, adjusted to stakeholder demand. Andersson argues that it is of importance, whether working business to business or to customer, that the corporation values are reflected upon the brand identity and stakeholder expectations. All respondents agree that the final gateway to the customers will be the one selling it to them, which will affect the customer's perception and experience. They state that, if the brand is built upon attributes of quality and social responsibility, there is a requirement that this is maintained also throughout external channel activities.

## 5. ANALYSIS

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*In this chapter we will analyse and compare the empirical outcomes with previously described theoretical findings and figures, highlighting the most interesting and important aspects of our findings. We will firstly study the approach of Volvo Trucks CSR- values and the affect of interdependency. Moving on towards policies and management control frameworks and finally beyond policies, with the discussion on building long-term relationships with the external sales partner.*

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### 5.1 Interdependency affecting CSR- Values

Carroll's (1991) theoretical description of CSR, in association with stakeholder generation (Freeman, 2010), is evident throughout Volvo Truck's approach on CSR; taking external stakeholders into account by playing by the rules and regulations, and investing in environmental and community care. The holistic approach on business development and CSR- values are furthermore foremost created upon a vision of economic responsibility (Volvo Group, 2010). The strategies of increasing profitability are not merely of internal stakeholder interest, but they are highly based upon an external stakeholder approach – a sustainable customer relationship. Valuating the importance of long-term customer relationship is believed to maintain profitability (Carroll & Buchholtz, 2003; Parment, 2006) and Volvo Trucks believes that by providing the customer with long-term satisfaction, through the investment in quality and feeling of security, it will simultaneously fulfil the demands of its internal stakeholders – generating economic responsibility (Volvo Group 2010, Carroll, 1991).

Whether being a MNC or an external sales partner, a sustainability approach foremost has to be based upon economic responsibility (Carroll & Buchholtz, 2003), and the importance of an economic base and profitability for both Volvo Trucks and its external sales partner is agreed upon by Volvo Trucks as the core business. Within the business relationship it is Volvo Trucks who is defining the importance of mutual profitability, considering fear of different profitability focus from the external partners. Since entering the agreement with financial resources and serving as a Volvo Trucks sales-intermediary, the external partner might wish for faster profit in return than Volvo Trucks, and not focus on the importance of providing the customer with a long-term satisfaction. Moreover, considering Volvo Trucks is promising service, quality and security to their customers, not providing them with this might likewise put Volvo Trucks profitability at stake. Based upon this it is evident that Volvo Trucks strives towards economic responsibility is not only dependent upon a long-term relationship with

their customers, but also dependent upon the stakeholder approach of its external sales partners. As argued by Chi-Shiun et al (2010), corporate customer approach has increased with the desire of profitability, and in this case there is a risk for Volvo Trucks that its long-term customer relationships might be negatively affected by the external sales-intermediary. Considering this will furthermore affect the corporation's profitability, it is evident that setting mutual profitability at focus is not only vital for Volvo Trucks, in order to establish a long-term connection with the stakeholder, but also in order to maintain a desired level of profitability.

To continuously maintain a sustainable stakeholder approach, control of equivalent values and visions throughout Volvo Trucks' business operation is required. In comparison to internal operations, the control lost to external sales partners is for Volvo Trucks harder to regain (Carroll & Buchholtz, 2003; Havila, 1993; Johanson, 1994). On one hand is the external partner dependent upon the benefits of being provided with the Volvo premium brand, positioning the external partner with an incitement to comply with Volvo Truck's requirements (Parment, 2005). However, considering Volvo Trucks argues that the external partner is providing the corporation with customer connections and market entry, within an otherwise instable or entry-regulated market, the external intermediary is further declaring its importance and partly neutralising the initial power of influence carried by Volvo Trucks (Parment, 2005; Havila, 1993; Johanson, 1994). The loss of influence and control is further evident considering the corporation is including a third external part, in order to assure compliance with environmental issues. However, this only approaches certain policies, not including the issue of potential lost customer connection, and Volvo Trucks therefore still sees the need to continuously strive towards increasing amount of influence – even though not sure whether it is achievable to fully control an external sales partner (Havila, 1993; Carroll & Buchholtz, 2003).

## 5.2 Global and Organisational Policies

Volvo Trucks has complied with a wide foundation of different agreements, such as the GC, OECD guidelines and ISO Standards, whereas these global standards are conducted from a global point of view, hence taking into account the ethical sensitivity, and providing management tools when operating internationally. Derived from theory, as they are conducted on a global level, implementing this throughout Volvo Trucks' network could provide sufficient guidance and recommendations for CSR practices also worldwide (Crane & Matten, 2007; Pedersen & Andersen; 2006). Although these standards could provide a

framework for managing responsibilities towards both internal and external stakeholders (Crane & Matten, 2007; Carroll & Buchholtz, 2003), this is fully applied internally within Volvo Trucks and not to the same extent to the external sales channels.

Volvo Trucks encourages all actors within its network to follow policies. However, at the same time stating that when dealing with external partners not all regulations and policies can be stated as compulsory requirements. The corporation adjusts its requirements depending on the circumstances, and furthermore that it is the willingness for improvements that counts. Moreover, when observing Volvo Truck's organisational code of conducts, there are extensive implemented principles integrating corporate values and internally shaped policies inside the organisational boundaries. Derived from the difficulties of shaping global policies and responsibility actions (Crane & Matten, 2007), Volvo Trucks encourages its external sales partners to adapt to organisational code of conducts, although this is not a demand. The external sales channels might follow the fundamental values, based on their stakeholders, however not saying this will be in line with the values of Volvo Trucks. Volvo Trucks cannot imply the same demands to all their external partners, there is potential of non-consistency in the CSR- values throughout the operations networks (Crane & Matten, 2007), placing Volvo Trucks in a discontented position.

However, MNCs have been under critique for exploitation of foreign markets, arguing that they do not apply consistent CSR- values throughout the operation (Crane & Matten, 2007). A contradiction might be seen from Volvo Trucks CSR-visions, considering neither organisational nor global regulations and policies can be carried within the Volvo Trucks organisation as compulsory requirements towards the external sales channel, inevitable lowering or at least altering some of the requirements made initially.

### 5.3 Management Frameworks

Being the face of Volvo Trucks out to many stakeholders in the local market, the respondents argue that previous described systems have developed to be essential tools for managing responsibilities. To meet the increasing demand for quality, safety and environment, in order to achieve CSR sustainability (Carroll & Buchholtz, 2003; Parment, 2006), Volvo Trucks uses different control systems also applied to its external sales partners.

Although the ISO-standards do not dictate exact performance to assure compliance with CSR- policies, nevertheless they are designed to help the external sales partner to meet Volvo

Trucks' requirements. By addressing the needs of customers and other stakeholders, this can result in ensuring a higher conformance with legislative and regulatory requirements (Sheldon, 1997) for the external sales partners, and thus CSR sustainability for Volvo Trucks. In this way, Volvo Trucks provides stakeholders with a device of assurance; since the external sales channels control system to manage CSR-responsibilities will have to satisfy a rigorous external investigation, in order to be continuously certificated (ISO, 2011). Hence it is an external organisation that will investigate and give certification, therefore offering an objective third part intervention. Yet, being accredited primarily shows trust for a corporation to fulfil these goals towards its stakeholders, but does not equally ensure that the external partner will live up to an optimal level by a specific time. Nevertheless, if the external sales partner undeniably fulfils the goals, the corporation can be considered achieving CSR responsible to a larger extent than merely based on economical responsibility; thus addressing the customer, the community, and the government as stakeholders.

Volvo Trucks states that with DOS it demands significantly more than required by the ISO-standards, thus showing engagement towards ensuring quality and environmental aspects to a larger extend if only applying the ISO-standards. However, as these policies are confidential it was not possible to further investigate how they can be achieved or how they are followed up, in order to ensure CSR-responsibilities. Nonetheless, as Volvo Trucks aims to avoid misinformation or inconsistency, towards the final customer (Carroll & Buchholtz, 2003; Crane & Matten, 2007), using a framework like DOS could provide Volvo Trucks with a tool to create a consistency with a premium network standard, thus striving to accomplish the standard being carried out throughout all networks.

Notable, the OG vary between internal sales channels but also between the external sales channels. There is not a demand that the external sales partner has to fulfil all requirements prior enter an agreement, but is given a grade that needs to be improved on a yearly evaluation basis. However, one aspect to take into consideration is what happens if the external sales partner does not fulfil requirements to that extend implied by Volvo Trucks' CSR-visions. As Karlsson stated, "it is always easier to get in a partnership than to get out", it can be debated whether or not Volvo Trucks alters its initial demands depending on different sales partners, in order to be able to meet the goals and to achieve better results on the next evaluation time. If the external partner does not follow implied policies and targets, there would be a disciplinary act. However, it is a bit vague regarding to what extent a disciplinary act actually implicates and which consequences non-compliance would result in. Since operating through a sales intermediary, and none of the frameworks applied are built solely

for CSR-issues, the motives for ending a relationship can be argued. Considering that regulations are not clearly stated from a holistic CSR-perspective, but primarily focusing on economic sustainability through customer stakeholder satisfaction, it indicates that even if not assuring full control regarding all CSR areas the relationship might continue. However, if the external sales partner acts in contrary to Volvo Trucks' visions of economic sustainability the incitement for intervention will increase.

## 5.4 External Sales Channel Relationship

Volvo Trucks' core values have to be carried out outside the normal organisational boundaries and the corporation is dependent on their external partners (Parment, 2006) considering their behaviour cannot counteract with Volvo Trucks CSR-vision. Consequently, in order for Volvo Trucks to deliver upon its promise to be CSR-responsible towards its stakeholders, it is abundant on the need to assure that the networks, within which it operates, will not be on the contrary (Carroll & Buchholtz, 2003; Carroll, 1991). In order for Volvo Trucks to fully assure its CSR-vision it needs to be socially responsible towards all stakeholders (Carroll & Buchholtz, 2003) and to achieve this, more beyond mere management control systems is indisputably needed.

As theory implies (Havila, 1993), Volvo Trucks desire to create focus on the system as a whole, and not merely on individual accomplishments, is varying upon the extent to which Volvo Trucks and the external sales partner are dependent upon the relationships continued existents. The problem for Volvo Trucks is that its need for a sales-intermediary is creating a risk of a two-way form (Havila, 1993), and that external sales partners' dependency on Volvo Trucks might decrease if they carry the relationship with the customer to a great extend independently. The fact that Volvo Trucks cannot do the examinations all the time, in order to continuously guarantee satisfaction through the service provided, makes it vital for the approach to be equally carried out by its external sales- intermediary. Otherwise Volvo Trucks is not only placing their CSR-policies but also desired profitability at risk. However, considering Volvo Trucks' confession of lost control, the possibility of a three-way form might be eliminated, which is furthermore increasing the risk of individual visions and goal settings from the external partner (Havila, 1993).

In order not to loose connection with the customer, a long-term relationship foremost has to be carried out with the external partner (Axelsson & Easton, 1992; Johanson, 1994). According to Volvo Trucks an understanding of efficiency and profitability, through the

satisfaction of the stakeholder, must be formed within a mutual awareness between the corporation and the external partner. Considering values and directions are established upon the beliefs of the internal stakeholders, desired values ought to be implemented at a managerial level – convincing that they will further fulfil the demands of the internal stakeholders (Carroll & Buchholtz, 2003; Crane & Matten, 2007; Axelsson & Easton, 1997). Volvo Trucks sees that it is vital for the leaders to show the way, and by accomplishing to integrate responsibility at a managerial level they might influence and create a desired internal structure within their external sales channel. Considering Volvo Truck's CSR- values are believed as integrated within its corporate culture - with economic, quality, environmental and development visions of The Volvo Way – influencing leaders might place Volvo Trucks at a position where both the corporation's, and the sales partner's, internal stakeholders require a mutual external stakeholder approach. Succeeding could mean higher influence on norms, values and corporate structure, within an otherwise differentiated market - creating a closer connection to the customer. Furthermore the creation of equal norms would ease the desired approach towards ethical problems and differentiations, otherwise not regulated. In association with the various levels of CSR, this would not only contribute to fulfilment of economic responsibility but also increase potential of assuring actions in accordance with ethical and philanthropic responsibilities (Carroll, 1991) – meaning both internal and external stakeholders. The need to constantly adjust policies and standards according to the circumstances of the external operation could be decreased, and the external sales partner's desire, to develop towards the standard of Volvo Trucks, could increase (Crane & Matten, 2007). However, acting as a sales-intermediary, the external sales partner might not have a desire to strive towards a higher level of CSR, priority to requiring return on investment. Influencing the external sales partner's corporate culture might therefore take very long time and is still based upon the dependency carried between the two, and the possibility to change visions and values (Havila, 1993).

As it is evidently hard for Volvo Trucks to create mutual awareness of the brand values and focus upon profitability, the external sales partner activities might increase the difficulty for Volvo Trucks to climb the CSR ladder in an intermediary setting. Whether incorporating CSR or not, economic responsibility lies as a business foundation. In the case of a sales intermediary it might not be in association with other levels of CSR, previously described through the CSR Pyramid, but merely a base for continuous business development. However, Volvo Trucks desire to climb the ladder is highly dependent upon the external sales partners approach towards profitability, and if Volvo Trucks does not influence the partner with the idea of mutual awareness, it might not be able to obtain a desired stakeholder approach.

## 6. CONCLUSION

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*This thesis has brought up different aspects related to our field of research. In this chapter we will conclude and highlight our findings derived from the analysis chapter, with the base from discussing our sub-question and then moving forward to our main research question.*

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The routes, of how to reach the market, affect the brand perception and to deliver and fulfil the CSR-vision and core values Volvo Trucks has to manage the specific routes properly and control its external sales partners. To do so, we have found that Volvo Trucks has different frameworks for CSR – policies, when considering external sales channels.

We have seen that by implementing frameworks, such as the GC, ISO standards, OG and DOS, it has been possible for the corporation to take the external stakeholders – with an economic, legal, ethic and philanthropic approach - into account. However, these are priory incorporated within the internal Volvo Trucks operation and are not as strict when operating externally. We believe that the internal part of the corporation is already assumed to be acting in accordance with CSR- values, hence they are the creators and evaluators of the corporate visions. We find it peculiar that more regulatory focus is not created upon the external division, since Volvo Trucks is aware that it carries great risk and declares its require for increasing control. However, we are aware that it can be discussed whether the external sales partner ought to implement all CRS-policies or if it is even possible to regulate the external partner's activities, when not operating to the same extent as Volvo Trucks but merely acting as an intermediary.

Why regulations are not formed for the external sales channels, but are varying highly, can be argued upon that flexibility and adjustments are needed in order to nourish a source within a desired market – in this case particularly focusing on the customer as a stakeholder. We believe that the corporation is able to set regulations that take the external stakeholders into account, since operating through global policies that have already taken differentiation into consideration. However, there might be a possibility that too strict requirements will decrease potential of a relationship and possible customer connections. Even though Volvo Trucks may have a desire to constantly act in accordance with internally implemented CSR- values, the desire within the market of the external sales channel might not require equal standards. Considering the external partner has the function of a sales intermediary, it is in constant connection with the market demand and may not significantly consider having to follow all



regulations when knowing that customers will be satisfied nonetheless. Furthermore, as economic profitability is the very basic base, not all corporations can be socially responsible if not fulfilling the needs for profitability first (Carroll & Buchholtz, 2003) – meaning that the external sales channel has an incitement to priority focus on its individual needs and therefore it might not be possible to implement all regulations.

We see that, in order for Volvo Trucks to succeed, it needs to incorporate its visions towards profitability within a mutual strategy – taking into account profitability for both partners while still shaping an economic approach based upon Volvo Trucks’ own visions. However, this is not something that can easily be regulated but priority has to be incorporated within the relationship carried. Not only does this take time to implement, but the problem will also increase further if the external sales partner is representing other high value brands and makes it harder for Volvo Trucks to create mutual awareness. Furthermore, this makes it harder for Volvo Trucks to secure actions through regulations, considering the external sales partner cannot correspond to all frameworks created by both Volvo Trucks and other corporations that the sales intermediary collaborates with. Potentially, Volvo Trucks’ frameworks and desires might even act in contrary to the desires of other corporations, and possibly increase the incitement for the external partner to act in accordance with the values that comply with its individual visions. In regards to Volvo Trucks’ dependency upon the external sales partner’s stakeholder approach, this might decrease the corporation’s possibility of implementing CSR regulations beyond the fundamental economic base.

Volvo Trucks strives to influence its external sales partners to comply and emphasize the values, policies and regulations, albeit the question remains to what extent. Volvo Trucks tries to create frameworks and build mutual understanding, in order to implement compliance with policies and create uniformity between networks. Yet, how does Volvo Trucks assure an external sales partner to follow these principles?

Considering the visions of external and internal stakeholders are integrated within the brand identity and corporate culture, we believe it is vital to take all levels of responsibility into account. However, when analysing the assurance of CSR visions within an external sales channel, we have found that requirements for a desired stakeholder approach are hard to state. If Volvo Trucks aims to be a socially responsible corporation, what is it then that will primarily affect the surrounding community? First and foremost is it perhaps not a definite employee- or environmental policy, but the actions carried out in the every day work; what

the corporation does and how it does it, what products and services it delivers and how it communicates and integrates with government and institutions.

To assure that CSR-policies will be complied to, a high degree of consensus is needed from both parts, thus motivating the external sales channel to apply with Volvo Trucks' requirements. Whilst striving to be an appreciated partner of Volvo Trucks, this will constitute a control device by itself. We have understood that besides policies and regulations, creation of a long-term relationship that will integrate responsibility within the leadership and culture of the external sales channel, might increase the potential of influence. Considering that not all CSR-policies can be regulated externally, we believe that creating a relationship of mutual awareness will increase the chance of higher CSR aspiration from the external partner, with a desire to develop towards the standard of Volvo Trucks. This requires for Volvo Trucks to create a strategy that clearly shows efficiency and profitability in association with adjusting to corporate values. We believe that this will furthermore facilitate the adding of CSR requirements, in association with the internal CSR-policies of Volvo Trucks. However, by adding an external third part it is evident that not all CSR aspects of importance can be trusted with the external sales partner. Through this it is also clear that it is not always good enough for the external sales partner to want to improve, but certain CSR aspects have to be fulfilled. Even though it is of high importance, Volvo Trucks is not setting these regulations on its external sales partner but adding an external third part. The lack of trust has made us question the relationship carried between the two, and the potential to further influence the external partner's values with Volvo Trucks' visions.

We have noticed that when taking CSR- values in account, the corporation has been focusing on the external partners desire for improvement. However, when considering customer relationships, clear regulations and expectations are formed and it has been of high importance to create understanding of long-term profitability. Considering the possible risk of a two-way business form, Volvo Trucks wants to influence the actions of the external sales channel to an extent that is placing the corporation in its position, closer to the end- customer. It is the certification of profitability that is at stake when influencing the relationship and creating a foundation to build other CSR requirements upon. In order for the corporation to assure that an external sales channel will act in accordance to its CSR-policies, we see the understanding of long-term profitability and influence on economic visions as a base. If Volvo Trucks manages to create understanding of the vitality of a long-term relationship with the customer, thus creating a mutual vision, it might generate greater profitability for both the corporation and the external sales partner. With the satisfaction of the external sales partner,

Volvo Trucks might on one hand increase the possibility to influence more and set higher CSR requirements. Then again, we see that the requirements will primary be focused on the customer as a stakeholder, and therefore the question is if a satisfied customer is equal to implemented CSR-policies? This can be argued, however, we believe that by strongly associating CSR with the identity of the Volvo Trucks brand, equal CSR approach is expected, regardless to the part of the corporation being internal or external.

To conclude, clearly there is not a universal “how-to” guide on how a MNC can try to assure its external sales channels’ compliance with CSR-policies. Strategy means making choices, and the path taken to address CSR-issues is no different. In a more complex structural design, such as the Volvo Trucks’ wide network of external sales channels, it is distinctly more challenging to maintain targeted and coherent activities. Both Volvo Trucks’ dependency upon the external sales channel and reverse has been evident and we believe that as the interdependency occurs, it might be increasingly hard to distinguish the organisational boundaries and separate external from internal activities. On one hand the unclear boundaries will facilitate the MNC’s possibility to influence external sales channel activities. However, at the same time we see that the corporation will be more dependent upon the external sales partner as an intermediary, further decreasing the potential of influence. The influence over the external sales channel will be determined by the strength and attractiveness of the MNC’s brand, hence when the external sales partner sees it as a benefit to collaborate with the MNC, the external sales partner will have more incitement to comply with its requirements. In terms of managing responsibilities, a strong corporate identity, building mutual consensus expressed through an integrated structure and an attractive brand, appear to provide clear benefits in order to assure compliance with CSR-policies.

## 7. ACADEMIC APPLICATIONS

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### 7.1 Suggestions for Future Research

In this thesis we have conducted our research from a MNC perspective. To repeat this study, but from the context of an external sales partner, would be highly interesting. To do so would make it feasible to place the findings in comparison with each other, in order to compare and highlight similarities and differences, thus potentially resulting in a more valid conclusion. Likewise, it would be appealing to see if our findings are applicable also to other MNCs.

Moreover, as discussed in the introductory chapters, there has been an unrelenting call for a more socially responsible behaviour from MNCs and the interrelated relationships in which the corporations are engaged in. Yet, along our journey we have come to acknowledge that the research on social and environmental reporting in emerging and less developed countries is scarce, still highly concentrated on Western developed countries. This is most certainly valid for the discussion of partners beyond the MNC's organisational boundaries. As some of the emerging markets have seen rapid economic growth, thus this will inevitably result in social and environmental effects. The socio-economic realities of these markets are different as are the MNC motivations and implications for undertaking a consistent CSR-approach, which results in a noteworthy field for further research.

A third and final implication, partially derived from our conclusion, could be to examine and explore stakeholder perceptions of emerging economy stakeholders towards the phenomenon of CSR-policies.

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# APPENDIX 1

## Interview Questions

1. Vilka CSR krav ställer ni på era externa återförsäljare?  
Skiljer de sig från övriga CSR krav inom Volvo?
2. Ni skriver i er Sustainability Rapport (2010) att ni uppmuntrar era återförsäljare att agera enligt samma principer och värden som Volvo står för. Gäller dessa även för de externa återförsäljarna?
  - Om ja, på vilket sätt? / Om nej, varför inte?
3. Hur förmedlar ni CSR förväntningar till de externa återförsäljarna?
4. Vad anser ni är risken med att använda sig av externa återförsäljare?  
Vad ser ni för risk med att relationen till slutkunden hanteras av en extern organisation?
5. Vad för inflytande har ni gentemot era externa återförsäljare?
6. Ser ni några målkonflikter mellan den externa återförsäljaren och central- organisationens mål?
7. Vilka intressenter ser ni påverkas när ni samarbetar med externa återförsäljare?  
Hur säkerställer ni att ansvarstagandet verkligen tillämpas och efterföljs?
8. Hur kan ni säkerställa kundnöjdhet på ett ansvarsfullt sätt?
9. Hur säkerställer ni att valda strategier verkligen tillämpas och efterföljs?  
Finns det t.ex. några kontrollsystem som tillämpas även på externa återförsäljare?
  - Om ja, varför är det väsentligt att ha kontrollsystem?
10. Upplever ni att det går att säkerställa att uppsatta CSR- policier efterföljs av externa återförsäljare?
  - Om ja, på vilket sätt? / Om nej, varför?