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## **The Importance of Global Purchasing within SMEs**

A Look behind the Curtains of Different Methods of Going Global  
in the Chocolate Industry in Sweden

by

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# The Importance of Global Purchasing within SMEs

A Look behind the Curtains of Different Methods of Going Global  
in the Chocolate Industry in Sweden

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## 1 ABSTRACT

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This paper provides a brief summary of the literature relating to Actor- Network Theory (ANT) with the purpose to provide an analytical tool for the case study. This serves as basis for a discussion of global purchasing of SMEs in Sweden. The chocolate industry is used as an example as global sourcing is inevitable for these SMEs. The purpose of the paper is to get an understanding of how purchasing in SMEs takes place and why there are a variety of methods within SMEs. The findings show how global purchasing takes place in the chocolate industry in Sweden. Furthermore, the different actors and other important factors, which have influenced the transformation of the method of global purchasing are introduced and discussed. Accordingly, the paper develops a model presenting actors and factors that influence how the method of global purchasing is transforming differently in each SME.

**Keywords:** *global purchasing, SMEs, translation, cocoa, actor-network theory*

## 2 INTRODUCTION

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Small and medium sized companies (SME's) are strong force of an outbalanced economy (Jamali et al., 2015). They account for 98% of all enterprises in 27 EU member states (Waehrens et al., 2015) and have numerous influences on employment rates and local communities. They should therefore be central for policies and academia (Jamali et al., 2015, Quayle, 2002). Past research has led to a better understanding of the importance of SMEs, however, their heterogeneity is still an enormous challenge. This again makes it almost impossible to develop and generalise comprehensive models. (Agndal, 2006). Moreover, SMEs in Sweden rely generally on unique products and occupy particular niches to compete in the market (Waehrens et al., 2015).

There are several reasons why global purchasing is central in SMEs. First of all, the way purchasing is done can have a great impact on the profitability of the firm (Quayle, 2002,

Overby and Servais, 2005). The importance of purchasing in SME's is increasing and the image of global purchasing has improved over the past, but it is surprising that the prominence of purchasing in a company is relatively low compared to other operations, such as marketing or sales (Quayle, 2002). Moreover, it is of interest to understand why SMEs source globally. In general, it can be said that SMEs are more likely to purchase globally if the commodity or the interim product is not locally available (Agndal, 2006). The lack of a local commodity is the most obvious reason for going global, as it is in the case in the example of the chocolate industry, which will be discussed later on. In addition, price, quality and relationships have a large influence on why firms purchase globally, as several authors argue consistently (Agndal, 2006, Quintens et al., 2006, Quayle, 2002, Overby and Servais, 2005).

It is somewhat surprising that there is little literature on purchasing regarding SMEs since the exporter is dependent on the behaviour of the importer. Additionally, the international purchasing activities have a great influence on the overall performance of the company (Overby and Servais, 2005). Indeed, very little has been known of the purchasing processes of SME's. The focus of research is typically on sales, and research has shown that not only sellers are reaching out, but also purchasers take the initiative. Often, North American companies and the motivation of international purchasing have been concentrated in past research activities, rather than the process of global purchasing. (Agndal, 2006) On the other hand, Agndal (2006) argues that knowledge of international sales and manufacturing can similarly be used in international purchasing, hence it can be argued that only research on one field is needed.

Since the meaning of the term global purchasing varies among researchers, it is helpful to clarify it is used in this paper. My usage of global purchasing is largely based on Quinten's (2006) definition of the term:

we define global purchasing as the activity of searching and obtaining goods, services and other resources on a possible world wide scale, to comply with needs of the company at hand with a view to continuing and enhancing the current competitive position of the company. (Quintens et al., 2006) p. 171

Thus, a competitive advantage can be archived, for example, through a combination of cost factors and a sustainable story behind the product. It is considered a global purchasing strategy, even, if after conscious consideration of getting involved in global purchasing one decides on the local product. Quintens (2006) lists a number of researchers and terms, which were used from 1992 to 2005, including import sourcing, offshore sourcing and global sourcing to name just a few. These terms are often used interchangeably in the literature (Quintens et al., 2006), due to its empirical base of past studies, in this paper the term global purchasing is used according to the definition above.

The main problems faced when entering foreign markets are physical and psychological distance (Overby and Servais, 2005, Agndal, 2006). Physical distance concerns factors which

have an impact on the product, service and money, such as transportation time, costs, time differences and climate. Psychological distance, by contrast, is concerned with language, regulations, habits, religion, the way society is structured, politics, values, attitude regarding work, sciences, achievement, wealth etc. (Overby and Servais, 2005)

Another central factor in global purchasing is the issue of sustainability. There is a rising demand in Europe for healthy products, which led to dark and organic chocolate production. Due to health issues in Europe, the growth rate of cocoa demand slightly decreased, but on the other hand, the growth rate of demand for more premium – organic and fair trade products have increased at a record rate. The value of organic chocolate sales increased more than double the amount from 2000 to 2015. (ICCO, 2017) This plays a significant role in SMEs since there is evidence that smaller firms are more likely to be in line with the founder's philosophies, values and aspirations. Therefore, fair trade and a conscious choice of farms and sustainably is often given. (Jamali et al., 2015) However, the demand for transparency and traceability of cocoa products has increased and customers ask for authenticity and origin. The trend of ecological and Fair Trade chocolate has been rising for a few years. Consumers are interested in how and where their products have been produced. (Rousseau, 2015, Andorfer and Liebe, 2015) Transparency is of increasing importance and people tend to pay more money if they are sure the product has been produced under fair conditions (Egels-Zandén and Hansson, 2016).

Since the research of globally purchasing SME's is quite limited, I will add a unique example of SME's in the cocoa industry to the picture. This is where my work is of potential interest. The aim is to shed some light on how recently founded companies in the chocolate industry address the issue of global purchasing. The local lack of the required cocoa beans leads to the inescapability of global purchasing. I will only analyse the part of the value chain within Sweden between the arrival of the bean in Europe and the selling of the chocolate to the customers. This allows for a better understanding of why the method of global purchasing differs from company to company. I have concentrated this research on the Swedish market, in which around six players of bean to bar producers currently exist. In addition, the position and influence of confectionary producers, retailers, wholesalers and traders has been taken into account. These companies are rather small and are mainly located within the premium chocolate sector. The analysis of the finding is done out of an actor-network theory perspective based on Latour (1986) in order to be able to grasp the complexity of global purchasing. The study can be of interest to current and future companies to explore and understand the change in global purchasing methods. Thus, one can understand how global purchasing happens and which factors are of importance in each context. Therefore, the following research questions needs to be answered:

*Why do SME's develop different methods of global sourcing?*

*What influences the individual development of SME's global sourcing?*

The paper will start with a brief theoretical background to provide an understanding of actor-network theory and will go on with the methodology of the study. In the next section, I will present the principal findings of the current investigation and therefore present the actors, their methods and other factors involved. Then I move on to analysing the global purchasing model and its influences in detail. The finalising section will present the conclusion and its implications.

### 3 THEORETICAL BACKGROUND

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The perspective of actor-network theory (ANT) has been used to analyse the empirical findings of this paper. ANT can be described as an approach rather than a theory, which helps to understand how not only people but also other things become associated and stay connected (Czarniawska, 2017). The concept of ANT proves to be very useful in order to help to appreciate the complexity of real situations (Roy, 2014). This study of global purchasing helps to understand different kinds of influences, which lead to translation of global purchasing of SME's.

The paper has a strong focus on the method of translation as described by Latour (1986). The author describes the differences between diffusion and translation by using a token travelling through time and space. The token can be defined as anything, such as an idea, an order or an artefact. In the case of the diffusion model, the token travels by its initial energy as long as no obstacle is in the way. In contrast, in the translation model, the token has undergone modification and changes depending on the energy of the actor's input. Everything can influence the development of the token. If the token has not been supplied by new energy, an idea can be dropped since no further development can take place. (Latour, 1986) In the so-called process of translation, actors are convinced or enrolled to interact with the initiating actor who ensures the support of other actors in the scene (Latour, 2005). An actor in ANT is described as anything that can act and something which allows others to act. This can be anything- people or material objects, whereas an actant can be anything that provides a source of action. In the broader sense, actants are described as more abstract things. Roy (2014), Callon (1986) and Law (1992) explain how human and non-human actors have enacted each other and play a similar role as they have enrolled in joint activity. It is argued that negotiation processes can take place in between the actors in particular networks and translate a situation differently (Latour, 1991). In other words:

It is this richness of meaning, evoking associations with both movement and transformation, embracing both linguistic and material objects, that makes translation a key concept for understanding organizational change. (p.7)

Actors can be mobilized or get mobilized to form a network. These associations are stabilized on a temporal base. These heterogeneous actors construct, reconstruct, enlarge or even lead to the collapse of a network. The actors and actants are influencing this dynamic with the only difference that actants can only be brought into the network by actors. (Roy, 2014) In this paper most factors can be defined as actants.

Hence, everything that moves from one place to another cannot stay unchanged and therefore gets transformed through different influences depending on the context. (Czarniawska and Sévon, 1996) There are two kinds of activities in actor-networks: one is to constitute the network and the other one is to have an effect in the world. Swartz (2016) explains that both can be seen as act of translation because translation connects networks.

Networks around the process of translation play an important role, but networks are often black-boxed. Black-boxed network activities show that it is not clear what has happened in detail. A black box can be a simple device where only the outside frame is obvious: only what has gone in, or out, is clear. Once processes, activities and/or networks are black-boxed, it is challenging to find out how actors inside the box perform, translate or transform inputs and outputs (Latour, 2005). Opening up black-boxed situations is tremendously interesting in the view of Latour's (1986) translation model. It not only gives the opportunity to understand what happens inside the black box, but it also describes how ideas and models are created as only the input and output situation can be described, while networks, actions and negotiations are unclear. Thus, it can be very helpful to use ANT in black-boxed situation in order to unfold the black box and understand the translation in an actor-network. Actor-networks are created through the associations formed between actors (Roy, 2014). In addition, the distribution of power in relationships can be of interest in a network. Latour (1986) describes that power is nothing one possesses, but something that others give, including all actors. If the other actors do not comply, an actor can be powerless even if he has been formally bestowed with authority. (Latour, 1986)

However, some downsides to ANT are worth to mentioning. Lee and Hassard (1999) argue that ANT limits itself by its own definition and this is how Latour (1999) reflects it:

I will start by saying that there are only four things that do not work with actor-network theory; the word actor; the word network; the word theory and the hyphen! Four nails in the coffin. (Latour, 1999) p15

In addition, ANT fails to decide what phenomena to study, it fails to create its own boundaries and theoretical discriminations (Lee and Hassard, 1999). However, the authors have not rejected the idea that ANT can provide a valuable structure for empirical analysis of organizational processes although they say that ANT does not provide a critical account of organizations. (Whittle and Spicer, 2008) ANT might be used to find out on how contemporary flexibility and responsiveness is achieved. Moreover, the strength of ANT is on close empirical studies, which describe real imminent situations. (Latour, 2005) ANT helps to understand the situation at hand as well as the changes that take place over time and space. Therefore, ANT provides a usefull concept to grasp the complexity of global purchasing in order to understand why global purchasing changes in different SMEs and what triggers these translations. ANT aids to open the black-boxed activities of SMEs and to understand which actors and actants influence global purchasing.

#### 4.1 SETTING

This study is limited to an example from the chocolate industry. Due to the lack of local availability of cocoa in Sweden, the importance of global purchasing is evident. This lack is due to the need of cocoa trees for a special climate and can therefore only be grown in the belt between 10°N and 10°S of the equator. The largest production of cocoa today takes place in Côte d'Ivoire, Ghana and Indonesia. (ECA, 2017) The production of organic chocolate in the overall chocolate market is assessed as less than 0.5%. The International Cocoa Organization (ICCO) estimates production of certified organic cocoa at 15,500 tonnes, sourced from the following countries: Madagascar, Tanzania, Uganda, Belize, Ecuador, Bolivia, Brazil, Costa Rica, Dominican Republic, El Salvador, Mexico, Nicaragua, Panama, Peru, Venezuela, Fiji, India, Sri Lanka and Vanuatu. (ICCO, 2017)

The development of the cocoa industry and in particular the bean to bar production in Sweden is interesting because of its infant state with potential growth. The bean to bar trend has been picked up from other countries in northern Europe, however, it has not yet reached its full potential (Ministry of Foreign Affairs, 2016). The bean to bar producers are keen to trace and to illustrate the origin and the path that the bean took for their customers (ICCO, 2017). In the sector of bean to bar, trade through direct channels is very common and adds value to the product through storytelling (Ministry of Foreign Affairs, 2016). In addition, confectionary producers and chocolate wholesalers are responsible for how their products are sourced.

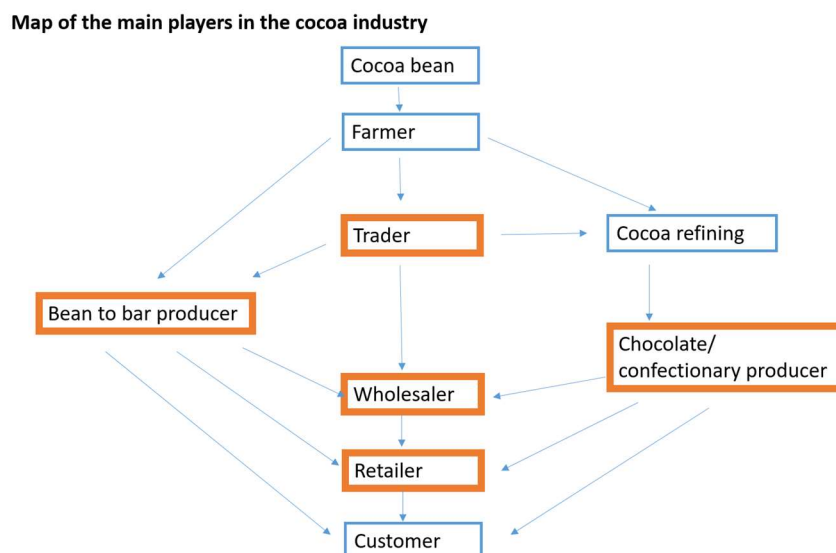


Figure 1: Map of players in the cocoa industry

The map shows the route a cocoa bean can take, until the customers receive the final chocolate bar. This study focuses on the business actors in Sweden (marked thick red). Cocoa



paste producers (cocoa refining) do not exist in Sweden cocoa paste/mass can be imported e.g. from France or Switzerland and is therefore not part of this study.

The bean to bar production in Sweden is a recent phenomenon even though the chocolate industry in Europe is relatively old. The first chocolate company producing from the cocoa bean to the chocolate bar in Sweden appeared around twelve years ago. Since then, five other companies were founded, most of them in the past five years. Bean to bar production means to buy the fermented cocoa bean and produce chocolate from scratch. In contrast, confectionary producers produce mostly from ready-made chocolate, which is re-melted for further production. Alternatively, a cocoa paste made from refined cocoa can be used but not yet turned to chocolate. Furthermore, wholesalers are taken into account, which are specialized on selling chocolate products, and in addition a cocoa trader is studied. This trader is one of the only cocoa traders in Sweden who sources his beans directly from Latin America.

Due to the focus on SMEs, mass production and international corporations such as Mondelez are excluded in this study, even though the production of Marabou is located within Sweden. However, the study includes almost all currently existing SME's in the chocolate industry in Sweden. Only one confectionary producer could not be interviewed due to their time limitations. Therefore, all other companies regarding cocoa products are covered in this study. Anyhow, the small size of chocolate companies makes it difficult to find out about some companies. Therefore, there is the possibility that other e.g. small confectionary producers exist, but are not covered in this paper.

## **4.2 DESIGN OF THE STUDY**

Due to the size of the chocolate industry in Sweden, the study is designed as a qualitative study. Although Qu and Dumay (2011) advocate the view that the decision for a qualitative study cannot be pinned down to an exact number, in this case the industry consists of a limited number of SMEs which is why it appears to be a suitable method. Due to this limited number, data is collected through interviews with the owners of the different SMEs. Interviews are mostly an effective and appropriate method of collecting information because they build on conversations- most natural kind of social interaction. A skilled interviewer is able to steer and modify the conversation in order to evoke the full potential of the interviewees' response. Furthermore, the research through interviews is one of the most important methods to gather data. This method has been widely used in field studies and other ethnographic research. Interviews especially provide a useful tool to learn about unknown worlds. Even though the same language is spoken, the understanding of someone else's world can be elusive since different cultural understandings and worldviews exist. Therefore, a reflective understanding is developed towards the interviews and the context in which they are conducted. (Qu and Dumay, 2011)

However, there are different possibilities of conducting interviews. The method of semi-structured interviews is the most common approach of all qualitative research methods. This implicates a prepared questioning, channelled by prepared themes. The semi-structured interview approach is a systematic way to elicit elaborated answers and to get an understanding of the interviewees' world. Most importantly, it gives the interviewed partner the possibility to use the vocabulary of choice and express himself or herself in a way they think and feel comfortable- feel comfortable – given that the questions and themes were fashioned in a comprehensive way depending on the context. (Qu and Dumay, 2011) In addition, semi-structured interviews with an open ended approach (Silverman, 2011, Kvale, 2006, Jacob and Furgerson, 2012) were used as a tactic to give the interviewee the possibility to talk more freely about the company's development and its current and past structures, and to let the interviewee manage the performance (Czarniawska, 2014). By letting the interviewee speak more freely, the power relationship is set naturally (Jacob and Furgerson, 2012). Kvale (2006) shows the importance of being aware of the power asymmetry in order to deal with an interview objectively and ethically. In addition to the interviews, online research of the companies, the industry and reports of international companies are taken into account with the purpose of developing a holistic understanding of the entire industry. Besides, the data presented was entirely collected in a truthful manner. Moreover, the ethical principles as well as issues of anonymity, confidentiality and disclosure were followed thoroughly for everyone connected to research project (Bryman, 2012).

Case studies in general are dependent on their context and generalization is not necessarily helpful, even though it is commonly thought that one can generalize. The details within the context are of crucial importance and aspects can eventually be applied to other situations or they can be used as orientation. (Flyvbjerg, 2006) The focus of this study is on the details in any given context in the different SMEs in order to find out how the methods of global purchasing are developed and influenced by different factors and actors.

### **4.3 DATA COLLECTION**

The founders of each company were extensively interviewed. Prior to that, online research on the individual companies was undertaken, with the intention to gain a holistic understanding of each specific company. This basic research often had to rely on the information on the companies' websites. Due to the size and recent founding of most companies, no other sources are available. Having done elementary research, I contacted the companies to arrange an initial interview and a semi-structured interview followed. This first contact helped to establish mutual trust and to build up a fruitful work relationship. This proved to be effective and helped to handle the "power distance" of interviewer and interviewee. (Kvale, 2006, Jacob and Furgerson, 2012)

The chocolate industry in Sweden is relatively small, as mentioned before. Therefore, seventeen company founders of SMEs in the chocolate industry in Sweden have been interviewed in this study. Firstly, companies of bean to bar production have been interviewed

in order to understand how they approach global purchasing. Secondly, confectionary producers, which produce a variety of products of processed cocoa, have been interviewed (cocoa mass or chocolate) in order to comprehend how they source their cocoa products. Thirdly, wholesalers who are specialized in chocolate products have been interviewed to grasp their influence on global purchasing of cocoa. Lastly, cocoa traders who are not concerned with any refining of the commodity have been interviewed.

<b>Interviews</b>	
Bean to bar producers (BBP)	6
Confectionary producer (CP)	6
Wholesaler (WS)	4
Trader (T)	1
<b>Total amount</b>	<b>17</b>

Table 1: Interviews

The link between these small companies in Sweden is that they sell products made out of cocoa beans- beans that, due to climate conditions, cannot be grown in Europe. This factor poses a special challenge to these companies' global purchasing strategy. Further explanation will follow in the next chapters.

The interview with the company owner or the founder of the company served to understand in more depth how global purchasing takes place. To clarify questions and avoid possible misunderstandings, follow-up interviews were of great value in most cases. (Jacob and Furgerson, 2012) Half of the interviews were conducted in person so that I had the opportunity to see the shops in which the products of the company were sold. Furthermore I was able to visit some of the production sites. This helped me to gain a comprehensive understanding of how the companies are operating. Besides, it provided me with the opportunity to put the endeavours of global purchasing into perspective. The interviews have been recorded and transcribed. In addition, notes have been taken as an *aide memoir* in order to be able to respond to other questions or give clarification when needed (Czarniawska, 2014). It is self-evident that the focus was on active listening and understanding of the interviewees' explanations. Most importantly, the transcripts of the interviews were analysed at a later stage (Jacob and Furgerson, 2012, Martin and Turner, 1986).

#### 4.4 DATA ANALYSIS

In order to analyse the collected data, a grounded theory inspired approach was used. The grounded theory methodology uses multiple methods to analyse data and was designed in order to develop a grounded theory based on the data analysed (Martin and Turner, 1986). In practice, however, a number of analytical strategies described originally by Glaser and Strauss (1967) have been used by qualitative researchers inconsequentially of the intent to develop a grounded theory (Flick, 2014).

Having collected the material in the first instance, the data was interpreted through data reduction, data reorganization and data representation. These phases are approached very differently among researchers (Flick, 2014). However, in this study the interviews were transcribed in order to begin with the process of data interpretation. Transcriptions can be done in many different ways and depth, depending on the aim of the study. After the transcription was customized with the purpose to illustrate the context and the methods used for global purchasing, the data was categorized and coded. (Martin and Turner, 1986, Flick, 2014) At this point, it helped to define categories and subcategories or themes to structure the data and to get an overview with regards to understanding the findings (Jacob and Furgerson, 2012). The coding of the interviews and reports gave a systematic approach, which transferred the data into information. Due to this process of coding, a great number of categories exists and had to be compared, combined and contrasted into a broader range of data clusters. Thus, the coding aimed at identifying patterns and gaining a deeper understanding of the given topic. (Martin and Turner, 1986, Czarniawska, 2014) Additionally, the concepts and categories that constantly reappeared proved to be the most relevant concepts, which have been assessed and placed in the centre of the study. The first categorization was to distinguish between information connected to sourcing, information of company challenges and information regarding sustainability. Other subcategories turned out to be useful, for example the different sustainable categories such as organic and fair trade certification. In this way, I was able to get a better grasp of how the process of purchasing started, which changes took place over the time and which actors and factors were involved. These three broad fields of how the process of global purchasing started, which changes took place over time and which actor and factors were involved had to be further broken down into smaller themes in order to code the completed interviews accordingly. The subcategories included themes on how to find suppliers, criteria of supply, fair trade, organic certifications and sustainability. (Martin and Turner, 1986, Flick, 2014) The findings of the interviews shed light on how global purchasing is approached and which factors and actors influence the development of a global purchasing method. The interviews are eventually helping to understand how the SMEs approach global purchasing.

## 5 EMPIRICAL FINDINGS

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The following part of this paper presents the empirical findings, which will later be related with the theoretical perspective of ANT. In order to make it easier to follow, the chapter has been divided into the categories of the main actors in this study: bean to bar producers, confectionary producers and wholesalers. Additional actors such as traders, cocoa beans, money, certification and other factors, such as sustainability and ethical consideration, are considered. Throughout the study, these factors and actors have shown their influence on the development of the method of global purchasing. The research of this paper indicates that the idea of global purchasing is generally the same in different companies. The commodity arrives in Sweden from distant locations and there are different ways of how the product gets to the production sites in Sweden. This leads to a variety of global purchasing methods existing within SMEs. Agndal (2006) argues that due to the heterogeneity of SMEs, it is hard

to generalize or to develop a comprehensive model. Thus, the methods of global purchasing are developing and changing throughout time and space. Subsequently, a generalization of a real life model of global purchasing seems to be unrealistic due to its complexity. This paper focuses on what triggers the change and the transformation in order to understand how and why global purchasing differs in each SME. As mentioned, a common understanding of the development of the model of global purchasing is being sought. Therefore, a simplified model, later displayed in figure 2, displays the main factors and actors having a relevant influence on the transformation of global purchasing. In order to understand the relevance of these factors and actors, the main ones are introduced in the following chapter of the paper.

## 5.1 ACTORS

### 5.1.1 Historical background of the industry

The interviews helped to shed light on how the different SMEs approach global sourcing and also how they find their suppliers and which criteria are key to find the right cocoa bean and to decid on a new business partner. Generally, the development and the reasons for global purchasing can be understood by considering historical information. One interviewee explained that the import of cocoa was started by the European industry and therefore most production and value creation takes place in Europe.

... and chocolate was never manufactured by any small company anywhere. It went from cocoa drinks that people were making, and then the chocolate bar was an industrial product. So the sourcing of cocoa began as an industrial need. (BBP 1, 2017)

From the beginning of cocoa exploration, large amounts were shipped to Europe and rather big companies were producing chocolate or cocoa paste.

... and it was only really in the after..., probably about the Second World War and after that, that things became industrial and in a very bad way. (BBP 1, 2017)

Due to this development, small quantities of cocoa beans would not have been considered as it would not have been economical to ship such small amounts. Subsequently, it was very hard to find and to found a small chocolate producing bean to bar company, as it was hard to get small quantities of cocoa. Today it seems much easier to get a few bags or only one palette of cocoa from a trader or a cocoa cooperation (coop), which means that several farmers in the area form an association in which all beans are collected and sold collectively (Foundation, 2011). It is still very time consuming and complicated to source directly from the farmer and handle the shipment oneself. Not to mention all the risks involved with shipping containers from South America.

... but the majority of people, 99% of all chocolate makers rely on brokers. Though, yea people tell a lot of white lies. (BBP 1, 2017)

This is the reason why either 99% of chocolate makers depend on brokers and traders in Europe or they use ready-made chocolate to re-melt and refine the product. In addition, the

interviewee explains how marketing communicates is used to draw a false picture and to give the impression that everything is hand-made and directly sourced by the company who is selling the final product. This in turn makes it much harder for the bean to bar companies in Sweden to gain trust and understanding for their product from the consumer.

### 5.1.2 Bean to bar producers

The companies of bean to bar production picked up the trend in European society for organic products. Especially the Swedes in general tend to consume more eco-friendly products. One interviewee mentioned the trend of bean to bar production and organic chocolate consumption in the UK, which is confirmed in the Fair Trade and Cocoa report from 2011 (Foundation, 2011), which shows the increasing growth of that industry. In Sweden, the bean to bar producers are small companies with rather little experience in the cocoa industry. Their aim is to create a high quality product containing traceable cocoa, thus making it possible to follow the background story of the bean.

There are different reasons and causes that influence the method of global purchasing. Throughout the interviews, it became clear that personal values, beliefs and passions play a great role. Bean to bar companies want to be able to provide products for their customers, knowing that they are passing a specific set of criteria which include quality, followed by a number of sustainable and ethical principles. Moreover, they want to have good relationships with the producers in order to understand the cocoa production better and to reduce the number of intermediaries so that they can pay the farmers a higher and a fair price. The more intermediaries are involved, the more money gets lost throughout the value chain and the farmers receive a lower payment. The sets of criteria differ individually. The low availability of high quality chocolate produced from responsibly sourced beans often plays a role when founding a chocolate company. Company founders have their network and connections, which play a great role. In some cases, the business partner has a special interest in the country of the cocoa bean and other entrepreneurs might have family in the region where the beans are produced, as becomes evident in the interviews.

Firstly, the easiest way for a chocolate company to find suppliers is to search for any local company importing cocoa beans. The next step is to make contact and to taste the bean, to check the quality of the product and to get more background information on criteria such as certification, origin and ethical or sustainable topics, which are of interest.

Secondly, individual research or personal networking support the first phases. A network supports the search for the right supplier. In many cases, personal relationships open doors. Usually it is possible, but it takes time to do all the research from Sweden without travelling to the farms of origin. It is quite challenging to find individual working farmers who produce high quality beans. The interviewees mentioned that it was very difficult to find these farmers and to get in touch with them when no connection to a coop exists. Nevertheless, with this method of doing research from within Sweden, the company has managed to reduce costs and to find approximately five different sources from specific farms. The interviewee described

that the beans came from the brokers or trader the farmer was working with, but still the cocoa was bought directly from the farmer and only the farmer is paid by the company in Sweden. The farmer pays the trader directly, but uses them only to ship the beans to Europe and is paid directly by the importer:

... they hold their cocoa in Europe, so when I contact the farmers and I tell them, I pay them the money, I don't pay the broker, so it is not really a broker in the sense of the word really, you pay the farmer and the farmer pays those people to hold their cocoa in Europe, and they tell them to send it to me. (BBP, 2017)

In the third method, the right bean is found via hearsay and by using contacts in the area cocoa is grown, for example in Latin America.

... in different ways of finding them, either if we go to a country and then we think it is interesting that we hear rumours that they are supposed to have an interesting cocoa... (BBP 2, 2017)

Travelling to different destinations in order to find out about quality and conditions is very essential. This included many visits to plantations and many bean tastings for the bean to bar producers. Hence, first relationships started with these visits and provided the foundation for future dealings. In this chain the most central criteria is to find the right bean that is great in taste to produce fantastic chocolate. After finding the right bean, other issues were closely looked at. It is important for the company to know whether chemicals are used in the process, how the working conditions for the farmers are and if there is slavery involved. When the ethical factors are acceptable and the taste meets the criteria, the next step of importing or exporting is being introduced. It is of great interest to the company whether the farmer is working with a broker or a trader, who are importing the cocoa into Europe. If this is given, the process of importing the beans becomes much easier for the SMEs in Sweden.

Fourthly, the embassy of the country in focus has to be contacted in order to get information on farmers and beans.

... and then you can go through the more official ways through the government and asked, you know what are your suppliers, organically and fair trade suppliers within cocoa, they usually can help. That's how we did it with Sri Lanka for example, our first origin ... (BBP 2, 2017)

This way, it is easy to find out about farmers with specific certification, whether they are organically or fair trade certified. This includes travelling to the country of origin to analyse the situation locally. Furthermore, sustainability issues have to be addressed when visiting the farms and certain standards have to be met in order to start a relationship. As in the previous ways of global purchasing, tasting the bean is also essential in this instance. In this case, the cooperation takes care of exporting the beans to Europe due to the cooperation with a coop. Thus, it makes it much easier for the importer in Sweden because they do not need to worry about customs, paperwork and other risks.

Direct sourcing is also possible within the fifth method. Global purchasing can be approached by emphasising relationship rather than the business side. Through working with cocoa farmers and setting up sustainability standards, projects and personal relationships get to be established. Hence, the direct work with the farmers leads to strong relationships. It in turn leads to sustainable business relationships, which provides the possibility to source cocoa from these farms. The difficulty with this method is that the importing company has to take care of the import itself. All customs related issues and the complete paperwork has to be taken care of by the Swedish company. It is a complicated process and the psychological distance leads to additional challenges. With this approach, the number of intermediaries involved is reduced. This adds to the company's aim to ensure sustainability in the wider sense. The company has visited the farm and worked together with the farmer, which opens up the unique opportunity to gain first-hand knowledge of how the work is executed. This helps to understand local issues and to improve them. Supposing that chocolate needs not only needs to satisfy the customer's taste but also oblige the interest of responsible consumers when they buy a product, the main interest of bean to bar producers is to produce a high quality premium chocolate which is available to everyone. Hence, a product free from slave work and which allows farmers to make an appropriate living and to possibly to send to school. The company owner wants to satisfy his own personal values and also the demand of their customers, who generally have very little knowledge of the industry and of the way how sourcing takes place or how cocoa plants are grown.

The difficulty of the different methods is that the companies develop in various ways and it is therefore challenging to comprehend the complexity of global purchasing. It depends on the standards and on the taste the SME wants to apply regarding quality and sustainable standards as mentioned. In addition, first contacts and personal networks influence the method taken on sourcing by the companies.

### 5.1.3 Confectionary producers

The six companies in Sweden who are producing confectionary or similar products are importing their raw material mostly from within Europe. Due to this fact, they do not have to cope with customs or to travel as much as the bean to bar producers. Also, the network of chocolate suppliers and cocoa paste suppliers is easier to access. Nevertheless, the origin of the bean is of concern and effort is put into responsible sourcing of the supplier. Two of the companies interviewed travelled through Europe to find the right chocolate with the right quality and taste for their products.

So when my interest started I travelled to Switzerland, France, Italy, you know, where you can find the nice chocolate and try to find what I was looking for, so I tasted a lot of chocolate. (CP 1, 2017)

In addition, all six of the confectionary companies went to fairs and exhibitions in the search of the best chocolate. Taste was the key criteria for all the interviewees but they also referred to ethical and sustainable standards when searching for a supplier.



Our basis is taste of course, our beans have to have a good taste but that is our base line, and if we find a very tasty bean and the quality is good, we always contact the coops and start a relationship with them and, you know, investigate that there is no child labour for example or that they are indeed organic and not using any pesticides. (BBP 2, 2017)

However, there are other methods to go for. One company received feedback from their customers in the beginning, which helped them in their research for high quality suppliers. They received hints on where to find relevant chocolate ratings and of the best producing companies and they realized that they had missed an important avenue. This made them contact the companies they had discovered on a chocolate rating website; they had samples and meetings, which in turn led to good business relationships.

Traceability is of major importance for most of the producers. They want to be able to contact their chocolate suppliers and ask them specific questions raised by their customers. This responsible sourcing includes all the topics mentioned above about sustainable and ethical sourcing. The Swedish companies producing confectionaries and similar products use ready-made chocolate or cocoa paste, which they refine. These products are pre-produced by other suppliers across Europe. Only one company in Sweden produces chocolate chips, which are then further refined by other companies; they operate on a very small scale. Due to the use of ready-made chocolate, the confectionary producers do not have to source any beans as they only refine the product further. The refining of the cocoa beans takes place in different European countries and to a small degree in the countries where the crops are grown (Ministry of Foreign Affairs, 2016). The aim of the companies' search for the right supplier is to find a product with the right quality, but other factors regarding sustainability play a central role in the search for suppliers. In general, the owners of these chocolate companies go to fairs to meet producers and to taste different chocolate. Besides travelling to different production sites and countries, it is very common to try different types of chocolate and to find out which taste is required for their purpose and production.

The approach towards responsible sourcing is of high importance since it has an influence on the way the process is transformed. This can include the traceability of the beans and the price a farmer is supposed to get paid. In addition, working conditions, the life standard and the types of certification are often part of these negotiations and informative meetings and help to understand the product, which is eventually bought from the supplier in question. The confectionary producers aim to be informed about the cocoa they are using in the production of their chocolate. To find out about the origin of cocoa beans and to understand the conditions farmers are working under is very challenging and full transparency is difficult to achieve. This is especially due to the fact that confectionary producers are not directly sourcing the beans but rather the ready-made chocolate for their production. However, it is interesting to note that responsible sourcing remains central even when cocoa is not sourced directly. Indirect cocoa sourcing companies such as confectionary producers take the matter very serious, even though it might be harder for them to find out reliable details. Due to these

trade relationships, the building of trust with the suppliers is important as explained by the interviewees.

#### 5.1.4 Wholesalers and retailers

The chocolate wholesalers differ substantially in their approach to finding suppliers. Some of them never had to actively look for new suppliers but the suppliers approached them. Thus, the wholesaler only needed to make sure that the high standards were met.

Most producers contact me, most ask me if I can take their products in, it is very rare that I contact suppliers. (WS 1, 2017)

The first criterion is quality, then ethical and sustainable standards have to be checked. The bean has to be traceable and a negative impact on the environment has to be kept to a minimum. Not only the bean production in the country of origin gets checked, but also the production site in Europe and the ingredients of the bar have to comply with their standards. This means that specific ingredients are allowed in the production of chocolate and the company will only sell the product if it does not contain unwanted ingredients.

It is particularly relevant for one of the interviewed wholesalers to have products from bean to bar production and that the supplier is sourcing directly in a suitable manner is mostly important for one of the interviewed wholesalers. The company they are sourcing from has to source directly and in a sustainable manner.

I mean, normally I do research and first of all the quality is really important, the product has to be valuable. But I also want to have suppliers who do not only bean to bar production but also responsible and direct sourcing. (WS 2, 2017)

There are a few wholesalers specialized in selling chocolate in Sweden. They have an exceptional attitude towards chocolate. Their aim is to provide high quality chocolate and to provide an understanding of what this entails. Hence, specialized wholesalers of chocolate favour chocolate from bean to bar production. With the focus on bean to bar production the negative environmental impact has been reduced. In addition, some company owners have a close tie with the producer to ensure that the production takes place in a hygienic manner and that unwanted ingredients are not included in the products. Furthermore, there is a stronger focus on responsible direct sourcing as explained in the interviews. The traceability of the beans in the chocolate production plays a major role. Due to the importance of traceability, the demand of chocolate with responsibly sourced beans is increasing. Some wholesalers ask for changes in the production as a condition to sell the product of the producer.

Two main ways in which companies operate exist; these are influenced by the size and the age of the company. One company has the advantage of its reputation through which it attracts new producers. In the narrow network of chocolate companies it is known that this company has high standards and only sells products from responsible producers in Sweden.

Another wholesaler tries to find small players with good quality measures in place and someone who has a high demand on their own production and takes responsible sourcing seriously. These young companies have provided great opportunities for the wholesaler. The search for chocolate producers has taken place worldwide with a focus on European production. With over 92 % of the production situated in Europe and the US, the difficulties regarding logistical issues are fewer (Abbott, 2003). Transport in the EU is considerably easier and therefore keeps the cost of importing relatively low with a tendency to decrease and with an increasing amount of import.

When searching for a chocolate supplier in order to sell premium high quality chocolate in Sweden, tastings, fairs and also travelling play an crucial role. Same as for the other groups of actors such as bean to bar producers, it is very essential for the wholesaler to keep up the awareness of sustainable and ethical issues. The individual network has been of use to find suppliers and to prove their accounts through a third party. Sometimes negotiations on the ingredients used in the production take place with the wholesaler to transform the process and make it more likely for the specific company to sell their product and increase quality of the production at the same time. The wholesaler understands the importance of educating the buyers as well as other interested parties in order to increase responsible production and subsequently responsible sourcing of cocoa beans.

#### 5.1.5 Trader

Cocoa traders are the actors who import cocoa from coops in the country of origin and ship the product to Europe. These traders or brokers only buy and sell the bean but they are not concerned with any refining of the product. In Sweden only one trader exists who imports the beans directly from the coops of Latin America. The interest of this company is to source directly in order to have an immediate impact on the lives of the farmers. They do not only want to have cheap beans, which they can sell to the highest bidder; their aim is to sell the story of the cocoa bean and make the buyers understand what cocoa is all about. Nevertheless, the trader also needs to profit from the imports, hence, the search for a unique bean which can be sold at a premium price is of utmost importance.

The network also plays a significant role for the trader; pre-existing connections have a great influence on how the company developed and changed their suppliers' network. Through these networks, first meetings and tastings were arranged in order to find out about possible business relationships.

After the quality is assessed, other parts of the equation have an influence on how operation takes place and how the method of global purchasing is developing. Subsequently, factors regarding sustainability are of major importance for the trading company. The companies asses in meetings and through collaboration how the operations of cooperation can take place. In addition, it is of interest if and what kind of certifications exist, how the working conditions can be evaluated and what kind of farming practices are used. Through this close relationship with the farmers in the countries of origin, the trader can show transparency and educate the cocoa producers and others buying cocoa.

## 5.2 OTHER ACTORS AND INFLUENCING FACTORS:

In the following section, different actors and other factors are introduced. These have an influence on the global purchasing method and paint a clearer picture of the complex situation of SME's participating in global purchasing.

### 5.2.1 Cocoa coops and certification

The cocoa coops influence the process of the method of sourcing, in that they affect the quality of the beans. The beans of the farmers are stored collectively. This mixed collection of beans is sold to any buyer afterwards. Coops can be certified by different companies such as Fair Trade or by an organic certification. Thus, certification will have an influence on the kind of buyers they attract and eventually the quality of the beans will be influenced as well. There are different arguments regarding quality of the bean. On the one hand, it was argued in the interviews and by Abbott (2003) that coops have a negative effect on the quality of the products due to the mix of beans from different farms. In addition, the certification of Fair Trade gives no incentives to the farmers to improve the quality and effort of farming and growing the beans. This is due to the pre-agreed premium price the farmers will get for the weight of cocoa beans delivered. The farmer will get his money eventually and the monetary incentive for producing higher quality beans has been taken away. (Abbott, 2003) On the other hand, interviewees explain that certificates, such as an organic certificate, have proved effective with regards to the improvement of quality due to the changing farming practices. With organic farming practices, the use of chemicals has been reduced and therefore farming is done more thoroughly. Subsequently, the quality of the beans has improved, similarly the working conditions. Farmers and workers are no longer exposed to chemicals, neither is the environment.

### 5.2.2 Farmers

The farmers have already been mentioned a few times, their interests and influence on global purchasing methods is significant in this study and will be more closely looked at here. Farmers from developing countries, where most of the cocoa beans are grown, are relatively poor. The conditions under which they have to work often lead to illness and starvation. As there are only two yields in the year, the dependence of the farmers increases. They are often not able to feed their families throughout the year. Therefore, income is the key factor to these farmers. The quality of the beans they are selling is not important to them and ultimately the knowledge of how to improve their agricultural practices is not a priority either. Some farmers operate independently without any coop, therefore, they do not always receive the world price for their cocoa. There are different reasons for that; sometimes agents who collect cocoa beans in an area are not properly equipped with a working scale. In addition, the level of education is often low and some are analphabetic and may not know the value of their product. (MinistryofForeignAffairs, 2016)

Some companies or governments and NGOs invest in education of the farmers. The Swedish companies do not often have the means to invest in the education of the farmers or the farmers' children, but by paying a considerable fair price, they ensure better living conditions

for the farmers. The farmers can then afford proper nutrition and their health is improved (Watt, 2016).

Due to poor processing practices of the bean the quality is often lowered, which effects the bean when it is processed. Good relationships lead to mutual benefit, which in turn transforms the practice of how sourcing takes place (Abbott, 2003). In addition, forming relationship is important for Swedish operators, which also has an impact on the quality of the beans. When the companies have thus invested in relationships, farmers may develop motivation and transform their farming practices, which result in bean of better quality.

### 5.2.3 The bean

The bean started to play a role in Sweden in around 2004. Before that, no bean to bar production existed. The refined cocoa paste and the chocolate to re-melt have been imported from other production sites, mainly from around Europe. Cocoa beans only played a minor role in Sweden before the first bean to bar company started their production. Instead of real beans, however, paste and ready-made chocolate have been used for some time in the production of confectionary producers. For these chocolate companies, the quality and the origin of the cocoa had already been of great importance and played a crucial role in the purchasing efforts of these chocolate companies. However, when the bean to bar production came to Sweden, the trend of greater consumer awareness increased. Customers started to demand Fair Trade products and more organic products (MinistryofForeignAffairs, 2016). A focus on transparency and the origin of the cocoa bean developed. Suddenly, the bean was not just a key actor in the chocolate and confectionary production, but the properties and characteristics of the bean and its origin became ever more important.

### 5.2.4 Money

Money plays a vital role as a silent actor when it comes to trade. Money has its importance in running a business and make a living, but most company founders do not aim to expand their businesses to such an extent as to live a life in luxury. It is obvious from the interviews that making money is not the only goal for most of the chocolate businesses in Sweden, but other factors such as their values and beliefs are more central. The bean to bar producers but also the wholesalers value sustainable and ethical matters higher than the money. Therefore, it shows in the interviews that quality matters are put first and after that, the interviewees aim to provide a better lifestyle for farmers and to increase their prosperity. The companies want to provide education and motivates their farmers to improve their practices.

### 5.2.5 Sustainability

Overall, every company interviewed expresses their concern about sustainable sourcing, i.g. that the bean is grown sustainably with a traceable origin.

But in general the whole value chain is very transparent and we chose our supplier because ethics and values are very important as well. (CP 2, 2017)

Besides, the plantations are under supervision to make sure that the conditions comply with the terms and specifications. Some companies are able to travel to the location of the origin of the cocoa and observe first-hand how operations take place. The interviewees want to make sure that the farmers get a fair share of the money in order to provide them with a better standard of living.

so you really want to change farmers' lives, pay them properly for their cocoa, if they make good cocoa. And I don't need a fair trade sticker to guarantee that...  
(BBP 1, 2017)

Also, child labour, slavery and trafficking are of concern (Abbott, 2003) and not accepted. In fact, this would be a criterion to end the collaboration. Two thirds of the bean to bar producers have travelled to their partners and plantations where their beans originate. By moving up the value chain, the ratio decreases and only half of the confectionary producers and wholesalers travel to plantations of origin to see and understand how the work is done. The other companies try to make sure that their ethical and sustainable standards meet their specific criteria. By doing their own research and by communicating with their suppliers they are aware of sustainable and ethical principles and thereby ensure a high standard.

Many of the companies analysed made an effort to use local products. In addition, they try to buy all products needed from local producers. This is of importance to most of the companies interviewed. The production based on local goods, staying informed and ensuring the standards of the products is the basis of how the companies work. Besides, certificates can help to gain trust and make sure that the products are sustainable in specific ways. Two main certificates have been widely used and are well known, the Fair Trade certificate and organic certification. Generally, the organic certification has far more value to the interviewees than the Fair Trade certificate. This is because the demand of customers for organic products is higher and similarly, they are more willing to pay more for organically certified products, in contrast to Fair Trade products. In addition, organic practices add to sustainability and have reduced the popularity of Fair Trade products since no chemicals are used which leads to a better work environment and therefore to less illness.

#### 5.2.6 Fair Trade certification

Fair Trade certificates are not seen as the only way to ensure higher payment for cocoa farmers. Other ways to provide a higher income are direct sourcing and ensuring that the company pays enough money directly to the farms. Most of the interviewees see the Fair Trade organisation as a business in itself, making too little effort to improve the conditions of the farmers without being able to live up to their promises. In addition, the quality of the cocoa is reduced through the practices of the coops with Fair Trade certification. The farmers only get the minimum price for their cocoa, set by the coops. The interviewees mention that the Fair Trade price is steady and does not change together with the world market price or with the quality produced. They criticise that the farmers are not motivated in putting more effort into growing cocoa of a better quality because they get their money irrespective of the quality of the bean they deliver. Of the Fair Trade products on the market, only 50% of any

product has to be Fair Trade, the other 50% can include non-Fair Trade ingredients. Most companies interviewed do not approve of this and say it fools people. In addition, there have been issues regarding Fair Trade, which have been addressed by the media; this has led to reduced trust in the Fair Trade certificate. Due to the high price and the level of effort required to gain Fair Trade certification, some Swedish companies are keeping their distance from it. Although some of the confectionary companies interviewed would rather have the certification than nothing, but they are too small in size and cannot afford it.

we have really been looking to doing this but it is really expensive and tough to do this, it will cost us a lot of money to do the fair trade and also the biological one (CP 3, 2017)

Companies claim that the Fair Trade certification is the most expensive certificate. Nevertheless, the certificate is generally very popular and the awareness of customers of fair trade has been increasing. Hence, many companies put great effort into attaining fair trade in general. However, the interviewees feel that they do not need the official approval with the Fair Trade logo on their products to make their product fairly traded. They explain that they have other practices to assure fair trade. The bean to bar producers even claim to have a product more fairly traded than the Fair Trade label would guarantee, as the importers only buy their products from specific farms or small coops personally known to them. Thus, they can guarantee high quality beans, which have not been mixed up with lower quality beans, and these are all traded fair instead of having 50% of the kind. Thereby, they can assure that the taste of their chocolate meets the demand of the customers. The quality of the cocoa bean is at the centre of any chocolate production.

#### *5.2.7 Organic certification*

The organic label is most attractive to customers and producers, though there are some difficulties with the certification itself. To gain the certificate takes a long time and the process is complicated and costly. However, most of the interviewees consider this less of a problem than is the case with the Fair Trade certificate. Not all products of a company are organically certified. Only two producers say that organic certification is either too expensive and/or presents them with the same problems of the Fair Trade label. Some argue that there is no need for any certificate as long as they know how the beans have been grown. Others explain that if the beans are of high quality, it implies that organic farming practices were used. Some farms are too small or the farmers do not have the means to initiate a certification process. Other farmers pick wild beans in the jungle, where no control or certification is available. These beans are quite rare and are of a very high quality but the certificate is missing. Two of the interviewed companies would only buy certified products. All other companies assume that the chances of getting a good quality product without certification is high, provided they know the origin of the bean and the conditions of work and that the company is satisfied with the demands on sustainability. The individual need of the owner to illustrate quality through certification has an influence on the global purchasing method used.

As explained above, for the majority of producers it is important to source their other ingredients besides cocoa locally. This can lead to a situation in which berries are picked

locally from the wild, but the end product cannot be certified as an organic product although the cocoa bean was certified organic. As they have explained, a berry-bar can only be certified organic if they buy the berries from abroad, which in turn conflicts with their sustainability policy. As an alternative, they use the locally picked berries and explain the situation to their customers. Wild growing products cannot be certified as organic, this is the case for the cocoa beans similarly as for other products, which are added to the chocolate bar and if one ingredient is not organic the complete bar cannot be labelled as such.

This chapter has described the methods of global purchasing used in each company, providing a better understanding of the complexity of global purchasing in SME's. In addition, this helps to define which factors and what other actors, next to the main companies, exist and have an influence on how global purchasing is transformed. In order to simplify the variety of existing methods of global purchasing, the findings indicate the existence of five basic steps. Every company has to pass these steps in order to finalize a global purchase. Therefore a blueprint, a simplified model of global purchasing shows obligatory aspects, which are obligatory (figure 2). At first, the need for cocoa beans has to be established to take any further steps. Secondly, the search for a right bean starts to find suitable suppliers. Thirdly, the beans have to be tasted in order to evaluate their usability and value. Fourthly, the importance of the background of production and the conditions of the farms or coops where the beans originate from is very central for the importer to close the deal. In case the first four steps are successful, a fifth is taken. Either Swedish companies import the cocoa or they have negotiated an agreement with the coops or the farmers' broker to take care of the export to Sweden. In order to illustrate the real complexity of influences of global purchasing the main factors, including several actors are shown.

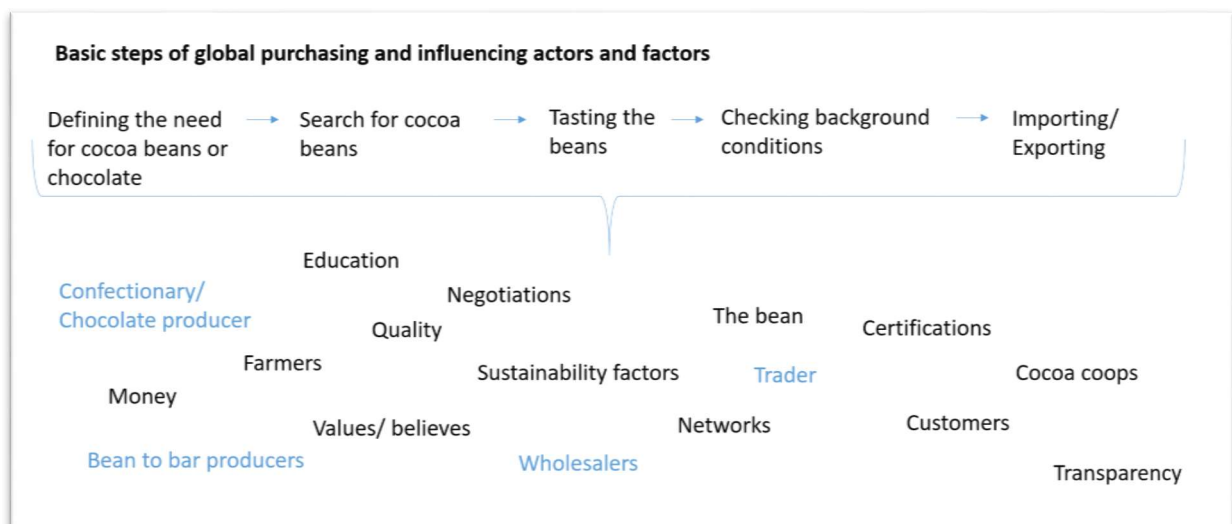


Figure 2: The basic steps of global purchasing and influencing actors and factors

It has already been analysed where these factors have their strongest influence and when they lead to transformation. In order to understand this an ANT perspective will be applied in the following section of this paper.



Having discussed the different actors and factors regarding the methods of global purchasing in the example of SMEs in the chocolate industry, I now turn to the influence of these factors and actors on the different steps of the basic purchasing model. In order to give a better understanding of the research question:

*Why do SMEs develop different methods of global sourcing?*

*What influences the individual development of SME's global sourcing?*

By analysing the finding through ANT lenses, it becomes evident that transformation takes place. The method of global purchasing changes with the different circumstances: for example, the network of a bean to bar producer influences the way the search for cocoa beans is conducted. This change or, in other words, this transformation leads to different methods of global purchasing which has been analysed by giving an understanding of the actors, their interest, values and networks etc.

Latour describes translation using the example of a token. The token symbolises an initial idea, which gets its energy from people who act in a variety of ways. This leads to change and modification of the token. The token in this paper is the idea/method of global purchasing which develops different in each SME. The main factors which have an impact on how the token transforms have been introduced in the chapter before. Therefore, I will analyse the factors more carefully in this section of the paper, with the intention to bring some order into figure 2 and to answer the research question. Furthermore, no distinction is made in ANT between human actors and non-human actors, such as certificates or money, and they all give a different kind of energy to the token. (Callon, 1986, Latour, 1986) Because of this, the study considers all kinds of different actors and factors, which influence the method of global purchasing.

The different steps of the blueprint of figure 2 provided the starting point to analyse the findings regarding the actors and factors. For the reason that, this steps are inevitable for the sourcing party. The figure 2 shows only the existence of the steps but in a black-boxed way and therefore, it does not show how they are exercised. It is tried to open up the black box to understand through which factors the token is transformed and how global purchasing takes place. This is shown by analysing the different steps separately. As shown above the steps are:

1. *Defining the need for cocoa beans*
2. *Search for cocoa beans*
3. *Tasting the beans*
4. *Checking the background*
5. *Importing/exporting*

1. Defining the need for cocoa beans

The interest and ideas behind the foundation of a bean to bar company and the intention of the company transform the idea of global purchasing, and therefore give modifying power to the first step of the model of global purchasing (Latour, 1986). Hence, when the idea to found a chocolate company has been formed, regardless of whether it is a bean to bar producer, a confectionary producer, a wholesaler or a trader of cocoa, the values and beliefs of the founder are the first steps towards individual transformation. The values and beliefs provide the first specification towards and individualisation of how the method in the first step of the model will transform. In other words, Czarniawska (2012) explains that translation always results in change, as it is also presented in this paper.

## 2. Search for cocoa beans

The second step in the model is the method of the search for cocoa beans. In addition, the question of which factors are important to the transformation of the token is addressed. The process of sourcing starts with the idea of a quality standard, sustainable and ethical standards, which the supplier of choice has to meet. Since both- the actor and the factors- contribute to the creation of a network of interaction which lead to stabilization of the networks, these factors are explicitly relevant (Roy, 2014). These background values, as basis for the different companies to begin with, give their own energy to the token of global purchasing (Latour, 1986). The empirical findings indicate the importance of networks as an influencing factor on how the token transforms. This is in line with Law (1992) who explains the importance of social networks. Consequently, the existing human network of the importing chocolate company plays a significant role. Any personal relationship with the country, where cocoa is grown influences the process of finding suppliers and therefore how cocoa beans are searched. Similarly, it is the case with confectionary producers, their knowledge of cocoa and their existing personal network with other chocolate companies. At the beginning, networks can be rather fragmented but are nevertheless of great importance. Thus, personal networks have greatly influenced the search for cocoa beans and the way sourcing has been translated. They are one of the strongest influences in this case and give a first indicator towards the token and, thus, towards the future transformation of the method of global purchasing. (Latour, 1986) For example, one company has a personal connection to Peru and another to Indonesia. In both cases, the relationships were used as a starting point to begin the search for a supplier. The relationship in networks of the individual players lead to transformative behaviour where negotiation between the partners is important too (Latour, 1986). It means that demands from importing companies can lead to modification in practice, and farms or coops add a certification and/or change other behaviour of how beans are treated when processed. This behaviour has been enhanced through relationship building and negotiation. The token of global purchasing has been transformed throughout the process depending on who is entering the network (Latour, 1986, Law, 1992). For example, if the confectionary producer finds high quality chocolate from which they would like to produce their confectionaries, but the sustainable and ethical conditions have not been clear, they will either enter or drop out of negotiations and might introduce certification leading to fruitful business relationships.

Power is influencing the process of transformation (of the model of cocoa product sourcing) into different method, depending on how strong the influencing factor stimulate the token (Latour, 1986). As defined by Latour (1986) power cannot be possessed but is rather being given by other actors to the actor in power. Some wholesalers have been given the power to ask for changes in the production and this has transformed the practice on how producers are operating. This power relationship is very influential for the transformational process and the method of how sourcing is approached (Latour, 1986). In showing interest in a specific wholesaler, producers give power to the wholesaler. Moreover, the influence of education (for suppliers and customer) and the transparency criterion have a strong influence on the token of the sourcing method since it is one of the only means to be informed about the origin of the bean (Latour, 1986, Egels-Zandén and Hansson, 2016). Similarly, it is the case for all sourcing actors.

One of the silent non-human actors is money, which as an actor has a great impact and the most developed network; it connects all actors in the field. Money transforms practices, gives power to specific actors, and therefore is an important silent actor (Callon, 1986) in the model of global purchasing. The price of cocoa beans influences the purchasing behaviour. Money has given power to the actors who possess it, due to the flexibility it provides (Law, 1992). In this value chain, money gives pliability on how to act. The farmers in the network need money the most and therefore give more power to the money. Depending on the situation, different actors represent the money, which otherwise is a silent actor (Callon, 1986). The most common practice of the industry is to buy the cocoa beans as cheap as possible and to resell it or add value to the cocoa by transforming the product e.g. into cocoa paste. Moreover, Callon (1986) argues that all social actions mediate through a non-human actor, which plays a vital role when searching for cocoa beans. This associations lead to the creation of actor-networks (Roy, 2014).

This paper has not payed attention to the influence of globalization and the technological developments, which have great influence both on the token of global purchasing and on the actors. Furthermore, they come along with this transformation of e.g. communication. As evident in the interviews, travel options, internet and other means have mediated social interactions (Callon, 1986) especially in the context of global purchasing and prominently in the search of Swedish SMEs for cocoa suppliers. To sum up, money connects the actors, creates its own actor-network (Roy, 2014) and has a great influence on negotiations on cocoa beans and the conditions of the import and trade in general. Money has been seen as an important actor that makes trade and relationships possible disregarding physical and psychological distances (Agndal, 2006).

To recapitulate step two: the factors discussed above, regarding the network and the individual values that lead to the importance of sustainable criteria and ethical behaviour, give their own energy to the token and let to transformation of the sourcing model of this trading company. Transparency and education or informative meetings with the buyers and potential buyers are two factors, which are of outstanding importance for the founder of the trading company.

Transparency is needed in order to gain knowledge on the product and on its origin, and to create the value, which is closer to what the work of the farmers is worth.

### 3. Tasting the beans

The next step in the model is tasting the bean, to define and to find the quality and taste needed. The different steps of the global purchasing model are closely interlinked as it is actually one token developing. Thus, it shows that depending on how the token in the previous step is shaped and transformed (Latour, 1986), the step of tasting the beans has dissimilar starting points in different SMEs. In some cases the founders of the chocolate company went directly to the place where the bean originates, this provided the possibility to taste the bean directly. In other situations, when the company has researched from the distance, the quality could not be determined that direct. Subsequently, when tasting the cocoa, the bean itself plays the main role as a silent actor (Callon, 1986).

The role of the bean as an actor itself is transforming in the history of cocoa sourcing and chocolate production in Europe and especially in Sweden. The importance of the bean's characteristics moved into the picture as vital, when it comes to SMEs. Moreover, cocoa dictates where it can be grown and therefore influences the way sourcing takes place. Thus, the quality of the bean has played a role and different sustainable factors led to transforming influence on the token of global purchasing. Therefore, the way farmers handle the beans is essential. This has a direct impact on the quality of the beans (Abbott, 2003). Hence, the bean and its taste lead to different connections of actors which create actor-networks. These differ in each case and therefore, have a constantly changing influence on the development of the token (Roy, 2014).

After the quality is assessed, other parts of the equation have an influence on how operation takes place and on the way the token has been transformed (Latour, 1986). In addition, certification of the quality of the cocoa bean again plays a role. As explained above, the Fair Trade label e.g. has been criticised for the fact that it is not motivating the farmers to put more effort into growing cocoa of better quality as they get their money independently of what kind of cocoa beans they deliver (Abbott, 2003). Besides, Abbott (2003) argues that the certification completely misses the importance of quality. This is why some companies changed their behaviour to transport their beans from specific farms or smaller coops with organic certification but without Fair Trade certificate. Thus, they can have high quality beans which are not mixed up with lower quality beans. The values and beliefs of the sourcing parties have given importance and power to the certifications. Therefore, the importance of the certification for the quality is understandable. The taste and the quality of the chocolate are of tremendous importance for the SMEs in the chocolate sector. As a result, the method of global sourcing has been transformed through the use of certifications, which gave specific energy to develop the token in individual directions (Callon, 1986, Latour, 1986, Law, 1992). Thus, the quality has been influenced by the farming practices, which, on the other hand, were influenced by the certifications. Accordingly, it has been shown that the main factors of step three are the bean and its quality.

#### 4. Checking the background

The following paragraph moves on to discuss the fourth step of figure 2 in the basic model of global purchasing in detail. Checking the background and conditions of how cocoa beans are grown and how the workers live are common and important practices of company owners in Sweden. Moreover, the awareness of traceability which is directly connected to sustainable factors (Egels-Zandén and Hansson, 2016), have influenced how sourcing takes place. This gives extra powers to the token and transformation leads to further changes (Latour, 1986). Thus, the condition of traceability of the cocoa and the chocolate the companies sell, has been given major powers (Latour, 1986). Sustainable practices have driven the search for quality cocoa beans. Besides, when sustainable and ethical conditions have been checked, certifications play a role, even if not all actors analysed support them. Certifications can help to gain trust and to make sure that the products are sustainable in specific ways. However, the share of certified cocoa is very small, less than 10% (Pay, 2009). Yet, the interest of companies from Europe in sustainable and responsible sourcing can transform the behaviour towards the usage of more certificates and sustainability.

For all groups of actors in this paper, it is essential to keep up the awareness of their customers of sustainable and ethical issues. In order to raise the importance of these factors to spread the popularity of responsible sourcing and as explained by Egels-Zandén and Hansson (2016) the willingness to buy rises with the transparency of the product. This helps to raise the interest of more people for their products and to spread sustainable behaviour. Consequently, the token gets new energy to transform sourcing and buying behaviour of customers as well as of other companies (Latour, 1986).

Also, in this step as in all others of the model of global purchasing, money plays a role as a silent actor. In this specific example of the actors from Sweden, money has an interesting influence. Money gives power to the negotiating actors. For the SMEs in the chocolate industry however, money is not the only factor influencing their own behaviour. Actors such as these companies can reduce the power of money since power is not something that is possessed, but which is given by others and therefore the companies can decide to take it away as well (Callon, 1986, Latour, 1986). Thus, money can have positive and negative influence, depending on the actors involved and representing it. The power the other actors give to money is an important factor, which has influence on transforming practices (Latour, 1986). In this case, social and sustainable factors have been given more prominence and therefore power was given to money as linking actor, for example by paying the farmers a better price in order to support sustainable farming and their life standards. This power relationship is quite different in SMEs than in large corporations, such as Nestle or Mondelez. Due to their different values, beliefs and their focus on turnover in contrast to direct or responsible sourcing. Large international corporations usually have partners who organise their direct sourcing and chocolate producing processes for them. For example Nestle and Mondelez only refine the pre-processed chocolate products (Nestlé, 2015, Healy and Ng, 2014). In contrast, the cocoa industry in Sweden is small and still relatively young and has a genuine rather than a political approach towards sourcing.

Conscious and sustainable behaviour lead to the importance of general transparency and therefore, the background check of cocoa in the process of global purchasing of SMEs, and gives a different twist to the entire industry. Latour (1986) explains how the model of global purchasing, the token, has been transformed through new influences. Ideas of quality and sustainability in this case give new energy to the token.

### 5. Importing/exporting

Having discussed how the last four steps of figure 2 take place and which influences lead to translation of the method, the final step deals with importing and exporting decisions. Whereas the first four steps have led to satisfactory results, decisions on how trade has to take place have to be made. The main question to address is whether the Swedish company will import the beans or if the farms or coops of origin export the beans.

This decision is mainly influenced by the coops; it depends on the size of the coop and on whether it offers to take care of the transport and to export the beans to Sweden. Besides, if cocoa is sourced from individual farmers, exporting the beans can only be offered if the farmers work in cooperation with a trader who ships the beans to Europe. If the farm is too small, does not have a broker and is not associated with a coop, the chocolate company in Sweden has to take care of the transport. Consequently, the Swedish company has to import the product and take the risk of shipment. Moreover, the workload and paperwork related to customs has to be dealt with. It is important how the last step of the model of global sourcing takes place, because it modifies the token a last time to complete the way global sourcing is done at that time in that space (Latour, 2005).

Figure 3 illustrates though what factors the method transforms in each step of the global purchasing model and since the influences are heterogeneous it provides an understanding of why such changes are transforming differently in SMEs.



Figure 3: Influencing factors in the process of global purchasing

Influencing factors and actors have been assigned to the corresponding steps in figure 3 and bring some order into the complexity of global purchasing (figure 2) and the changes which appear in each case of the different actors.

It should be noted that the focus in this paper is on the translation and, therefore, networks are neglected. In addition figure 3 reduces the complexity of the influences of actor and factors they have on each step of the global purchasing model. They only display the factors with the strongest influence in each step. Nevertheless, e.g. values/beliefs have also an influence on the factors of sustainability, money plays a role in certifications as well as transparency does. The energy of factors, which only play an indirect role, is less dynamic. Therefore, the main power to shape the token is already given at a different stage of the process. This approach opens the black-boxed situation of global purchasing and aims at giving a simplified understanding on what influences lead to the individual development of SME's global purchasing model and therefore why SMEs develop different methods of the latter. Consequently, the actors and factors one SME has to cope with differ, depending on the context of the global purchasing situation. The context is the most important variable especially within SMEs in Sweden. One reason is the preference of Scandinavian SMEs to place themselves within a niche, with a special product or service (Roy, 2014). This makes every SME unique and makes generalization or the development of one universal model of global purchasing difficult (Agndal, 2006).

## 7 DISCUSSION/CONCLUSION

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The purpose of this paper is to provide insights of global purchasing in SMEs. In particular, I have tried to answer the questions of (1) *Why do SMEs develop different methods of global sourcing?* (2) *What influences the individual development of SME's global sourcing?* To this end, an understanding and the significance of SMEs for the economy and of global purchasing is illustrated in the introduction. After a definition of global purchasing is provided, a model of global purchasing with illustrating actors and other influencing factors to comprehend it better. This study opened up the black box on how global purchasing is done and how it differs in every company analysed. Throughout the findings, it has been demonstrated how the companies are operating and what factors and actors play a role in the process of transformation as illustrated in figure 2. The complexity of global purchasing becomes apparent in this figure. Order has been achieved by applying ANT perspective to the analysis as shown in figure 3.

The goal of global purchasing of each SME is basically the same, but the ways of reaching this goal differs widely. Therefore, the influence of different actors in the process of finding suppliers varies depending on other factors leading to translation. Every step in the method has been translated independently and therefore the idea/token changes individually in different directions, hence a change of separated practices is created.

This paper does not provide a universal model of how global purchasing is generally done, but it tries to shed light on the complexity of the global purchasing method and why the transformation differs from company to company. This paper not only defines a number of actors and other factors which influence the method of how global purchasing is done, but it also allocates these points to one of the five steps in global purchasing, defined in the beginning. Therefore, it can help existing and future companies to be aware of these factors and actors in their role in global purchasing. Thus, coping with these conditions in the future will be facilitated.

A limitation of the model developed above is the reduced complexity. Actors and factors can have influence in different steps but only the first and strongest influence is considered. Moreover, the analysis focuses on the translation of the token and touch up on networks, but focuses only on human relationships. On the other hand, ANT gives a great base to go further and analyse the associations which create a network.

This study illustrates that more research is needed in the field of global purchasing in SMEs. It provides a single comparative case study, which emphasizes how complex global purchasing is undertaken. Further studies within SMEs and their purchasing behaviour need to be carried out in order to come to a better understanding of the factors and actors which play a role in the transformation of global purchasing.



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