



**MÄLARDALENS HÖGSKOLA**  
**ESKILSTUNA VÄSTERÅS**

**School of Business, Society and Engineering**

Course: Bachelor Thesis in business  
administration

Course code: EFO703

15 hp

# **BARRIERS CONCERNING THE SHARING OF CODE OF CONDUCT WITH SUPPLIERS**

*The case of Volvo and its Chinese supplier*

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# ABSTRACT

- Date:** 2013-05-30
- Level:** Bachelor thesis in business administration, 15 hp
- Institution:** Mälardalens University, School of sustainable development of society and technology
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- Keywords:** CSR, Knowledge sharing, Code of conduct, Suppliers, Sharing of code of conduct, Barriers, Monitoring.
- Research question:** What barriers affect Swedish companies during the sharing of code of conduct to Chinese suppliers?  
*How do these barriers affect sharing the code of conduct?*  
*How are trust and monitoring used when sharing the code of conduct?*
- Purpose:** The purpose of this thesis is to investigate what the barriers are when Swedish companies try to share their code of conduct to suppliers in China, and how these barriers influence the sharing of code of conduct. This study will also investigate the use of trust and monitoring within the sharing process.
- Method:** The qualitative approach has been used for this study, it was chosen since the subjects discussed in this thesis are often intangible and therefore easier to investigate with a qualitative study. Both secondary and primary data has been used. The primary data was gathered from face-to-face interviews and telephone interviews. The secondary data has been gathered through company websites, academic articles, books, and earlier theses. The database ABI-Inform was used for gathering academic articles.
- Conclusion:** This study has shown various effects that these barriers have on the sharing of code of conduct. There is clear evidence that these barriers exist which have been shown with the help of theories from previous studies and also with the gathered empirical findings. This has also been shown with the own

developed multi-barriers model. This model can be used for identifying the barriers which is the first stage for companies to effectively deal with these barriers.

## **ACKNOWLEDGEMENT**

This thesis could not have been conducted without the help of the interview respondents from Volvo and their Chinese supplier.

We would like to give our thanks to our supervisor Magnus Linderström as well as the other seminar participants that have given us valuable feedback.

This research is based on previous similar research such as Cognitive differences and Barriers of monitoring CSR in China, 2013 by Bing He, Golnaz Taherian and Golchehreh Eshgham. That article has mainly targeted the monitoring issues, and this thesis have researched a similar field but developed the study more. This study is performed as a more in depth study that research a larger area with a more detailed gathering of data and analysis. Still we would like to give our thanks to the authors for the inspiration and information gained from their study.

At last but not least we would like to thank our families for being supportive during this process.

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## **GLOSSARY**

Corporate Social Responsibility	Marcel van Marrewijk, (2003) stated that the European Union (EU) defines CSR as “a concept whereby businesses integrate social and environmental concerns in their daily operations and in their interaction with their stakeholders on a voluntary basis”.
Code of conduct	Mamic (2003 pg.19) defined code of conduct as “a statement of business principles defining a set of relationships on a range of topics between an entity and its stakeholders”.
Knowledge	Alavi & Leidner, (2001) and Bartol & Srivastava, (2002) defines Knowledge as information processed by individuals including ideas, facts, expertise, and judgments relevant for individual, team, and organizational performance.
Knowledge sharing	Cummings, (2004) and Pulakos, Dorsey & Borman, (2003) defines knowledge sharing as the provision of task information and know-how to help others and to collaborate with others to solve problems, develop new ideas, or implement policies or procedures.

## **ABBREVIATIONS**

(CSR)	Corporate Social Responsibility
(KM)	Knowledge Management
(KS)	Knowledge Sharing
(MNC)	Multinational Company
(NGO)	Non-governmental Organization

# 1 INTRODUCTION

## 1.1 Background

Corporate social responsibility (CSR) is considered to be an increasingly important issue for multinational companies and the world. This is a complex definition and it includes many aspects. Marrewijk, (2003) stated that the European Union (EU) defines CSR as “*a concept whereby businesses integrate social and environmental concerns in their daily operations and in their interaction with their stakeholders on a voluntary basis*”. In practice CSR can be defined as how companies manage their daily process to ensure that their contribution to society is positive (Dahlsrud, 2008). Nowadays companies see corporate social responsibility as an aspect of the core values, which can be used to increase their competitive advantage and core benefit (Potter & Kramer, 2010). Therefore it is important and necessary to ensure that the enterprise have a proper execution of corporate social responsibility in the supply chain.

Nowadays, CSR can be implemented into the enterprise strategy and regulations, and this is becoming increasingly common among corporations. Potter & Kramer (2010) stated that 90 percent of Fortune 500 companies have some kind of code. Seppälä, (2004) stated that the “code of conduct” is commonly used to refer to a written statement of principles, values or ethical guidelines for a business’s activities and these codes of conducts are adopted entirely voluntarily or mandated by law. These codes can regulate the practices of the business and its employees and business partners.

A supply chain is defined as a series of companies working together to ultimately provide the value of goods and services to the end user (Frida, 2011). The suppliers are one of the most important stakeholders in a company’s supply chain (Frida, 2011). He Zhiqian, (2011) stated that global leading companies are striving towards improving the sustainability performance of the supply chain. This is done through cooperation in which companies can benefit each other with their suppliers and this result in a better relationship.

It is clear that multinational companies need to share or transfer their code of conduct to their suppliers. However, this action is complicated to execute correctly. Both the companies and suppliers are facing a lot of barriers concerning the sharing of code of conduct. In this thesis, a systematic presentation of the possible barriers which may hinder sharing of code of conduct will be provided, and through qualitative research and interviews this study investigate how these barriers affect the sharing of code of conduct. Moreover, trust and monitoring which can be used to avoid barriers will be investigated as well.

## 1.2 Problem definition

There are some explanations about why a company should manage the CSR knowledge such as code of conduct in their supply chain. Zhiquan (2011) the manager of the Organization “CSR, Asia” argued that the supply chain can influence the companies’ behavior on CSR. Zhiquan (2011) also mentioned that companies have a responsibility to improve the CSR in the suppliers, this have to be done since the issues are related throughout the whole supply-chain process. This can remove the negative influence on the environment, society and increase the confidence of suppliers (Zhiquan, 2011). Locke (2007) believes that the good relationships and cooperation among suppliers and companies will produce positive influence on the suppliers' situation regarding the practice of CSR requirements such as code of conduct. A good supplier can increase supply chain security to avoid labor disputes which could cause problems such as supply chain disruptions (Zhiquan, 2011). By avoiding these disruptions the company will be able to evade business losses.

Code of conduct can be seen as a necessary tool for business in today’s market. Today, 90 percent of Fortune 500 companies have some kind of code (Harvard Law Review, 2003). CSR issues are popular topics in this age and the Code of conduct is just one of the responses to these challenges (Seppälä, 2004). The code of conduct is an important part of a company’s business nowadays and sharing it with suppliers is a key-point for a company’s success. This makes the sharing of code of conduct interesting to study.

This thesis focuses on China and the Chinese suppliers. China has a large production base, which has attracted wide attention from buyers around the world. However there are still some barriers that affect the sharing of code of conduct from a company to their Chinese suppliers. One common worry is that by relying on other organizations information flows will render the Chinese company less flexible and leave it vulnerable to changes in its partner’s priorities (Myers and Cheung, 2008). CSR standards in China can be described as poor compared to the CSR standards shown in the code of conduct in most multinational companies (Egels-Zandén, 2007). Xie, Yu and Forstadt, (2012) stated in their “China's corporate responsibility and sustainable economic development report” that the Chinese companies which adopt the CSR concept does it because they are forced by their buyers rather than because of moral issues. China is a country worthy of study in this area.

Ahmed et al. (2003) mentioned that Chinese business managers are skeptical towards the claimed positive effects of corporate social responsibility, and show that the negative effects got less attention in China. Some companies feel that it is difficult to have communication with Chinese suppliers regarding CSR because their understanding in this matter is very different from the customer's perception (Frida, 2011). Considerable evidence showed that suppliers’ compliance level of CSR is not enough in developing counties (Egels-Zandén, 2007). Egels-Zandén (2007) also stated that there is a specific

case where most Swedish buyers performed monitoring of how their code of conduct was followed, it was discovered that almost 80 percent of suppliers have bribery and double accounting in China, and many factories often violated China's relevant laws, such as the minimum wage law.

### **1.3 Purpose of research**

The main purpose of this research is to make an identification of the possible barriers concerning sharing of the code of conduct. Other purposes is aimed at investigating in what way these barriers affect sharing of the code of conduct, it is also done to get a deeper understanding of how trust and monitoring is used in the process of sharing the code of conduct. The focus is on a Swedish multinational company and their Chinese supplier.

### **1.4 Research question**

What barriers affect Swedish companies during the sharing of code of conduct to Chinese suppliers?

*How do these barriers affect sharing the code of conduct?*

*How are trust and monitoring used when sharing the code of conduct?*

## 2 THEORETICAL FRAMEWORK

### 2.1 CSR and Code of Conduct

Majority of European business leaders believe that the company can understand the importance of corporate social responsibility and combine it to the whole process of operation in the business. This can help them to improve their business performance (Li, Yusheng and Yang, 2010). Husted and Allen (2006) analyzed that in some cases corporate social responsibilities and stakeholder desires require multinational companies to respond to both global issues and local issues. But it is obvious that there is no consensus form of definition about CSR (Husted and Allen, 2006). For instance, Dahlsrud (2008) summed 37 definitions of CSR in his article. He also mentioned that the definitions were primarily of European and American origin.

New stakeholders and different national legislations are putting new expectations on business and altering how the social, environmental and economic impacts should be optimally balanced in decision making (Dahlsrud, 2008). Husted and Allen (2006) also presented the theory about local and global CSR to define the differences of it. The key difference between these two kinds of CSR is the community that demands it. Husted and Allen (2006, pg.840) stated that *“local CSR deals with the firm's obligations based on the standards of the local community, whereas global CSR deals with the firm's obligations based on those 'standards to which all societies can be held”*.

Mamic (2003 pg.19) defined code of conduct as *“a statement of business principles defining a set of relationships on a range of topics between an entity and its stakeholders”*.

It can also be explained as a guide of how the company should run their business with the society and environment in consideration (Gullander, Johansson & Svensson, 2012). Usually it is the company that develops the details of the code of conduct, though it can also be done by some other communities. Code of Conduct can be established according to international agreements, like the UN Global Compact and normative documents, such as ISO. (Blowfield & Murray, 2011).

Helg, Lein Thyl and Lööf, (2005) stated that the code of conduct is a voluntarily created code or rules by company on guiding the supplier how to implement the right strategy and behavior in their business environment. So it is clear that suppliers have an important role regarding the implementation and acting according to the code of conduct, therefore they need the information or knowledge about the code of conduct as well. Helg et al, (2005 pg.29) states that: *“The suppliers need information about the code*

of conduct, because they undertake these rules. In addition, suppliers often need to take actions to be able to fulfill the code of conduct.”

## 2.2 The Multi-barriers model

Previous researches have shown that it is a challenge to implement and use a code of conduct in some countries. For instance, Helg et al, in the article “Code of conduct-- Inspections and Compliance” (2005 pg.6) found that:

*“The state of the working conditions in the developing countries is a relevant issue in today’s business. For most people it is obvious that the working hours should not exceed 40 hours per week and that equal jobs should pay equally. It should also be obvious that children should not need to work to support the family. Unfortunately this is not the case everywhere in the world; in many developing countries the reality is another.”*

A new model was created about barriers which are summed from different relevant literature reviews. As one kind of regulation, code of conduct can be defined as a type of explicit knowledge. From the knowledge sharing theory, explicit knowledge is easier to be shared than tacit knowledge. While it still faces some possible barriers.

An own developed multi-barriers model is presented below.

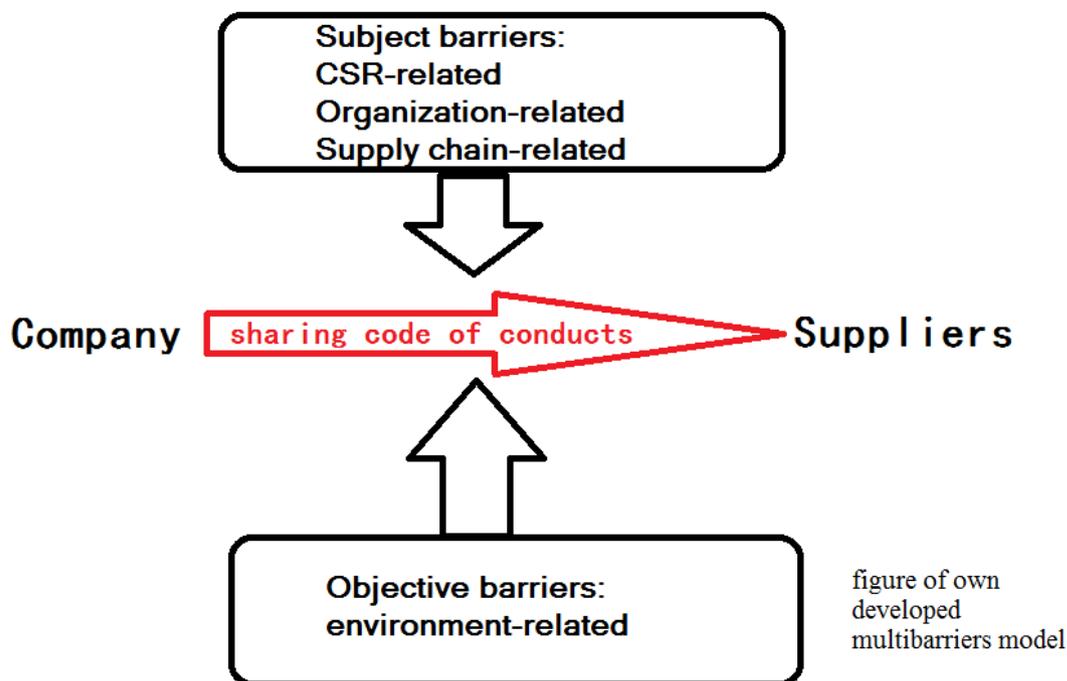


Figure 1

The barriers in this model can be seen from two parts, namely subjective barriers and objective barriers. Subjective barriers come from the companies and their suppliers, or in other words the barriers come from subjective CSR elements in the supply chain. On the other hand, the objective barriers may be caused by the environment which is outside the supply chain and this can also affect the sharing activity of code of conduct.

### **2.2.1 CSR-related barriers: Cognitive differences**

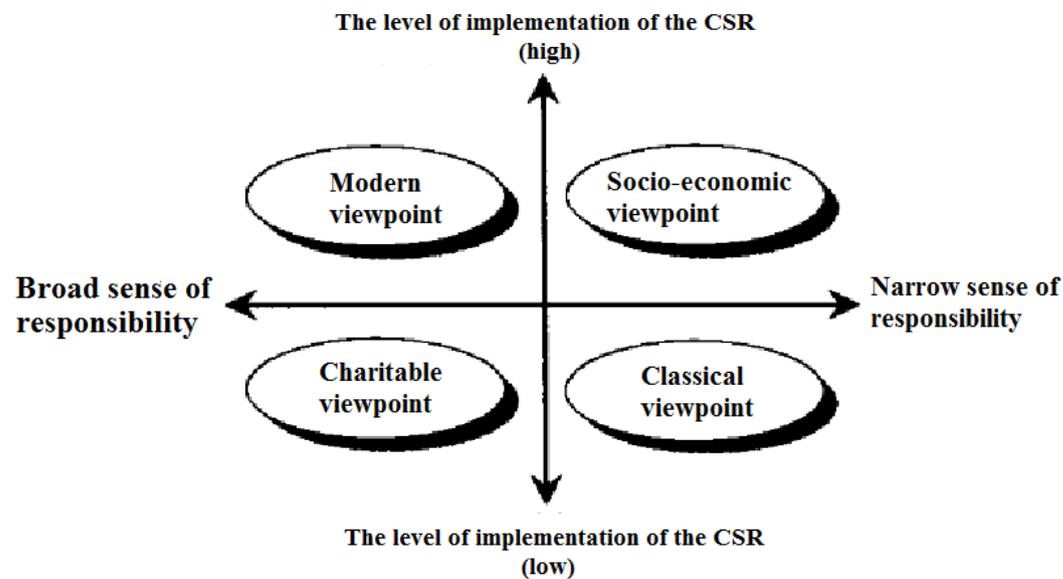
Blowfield & Frynas, (2005) stated that CSR can be understood and interpreted differently by people in different countries. This can lead to different attitudes and behaviors between the source and recipient when sharing code of conduct (Blowfield & Frynas, 2005). This will result in a barrier called cognitive differences, which is evident in the Chinese market.

Xie et al, (2012) stated that many Chinese enterprises adopt codes of conduct or some other concept of corporate social responsibility because they have no choice if they still want to cooperate with their buyers. Ahmed et al. (2003) show that Chinese businessmen may not know clearly the benefits and risks with CSR. Frida (2011) also stated that some companies may perceive it as hard to communicate with suppliers in developing countries because they have a different understanding of CSR. This information can be seen as evidence of cognitive difference. The cognitive difference of CSR can lead to a lot of problems. Erming and Ping (2006) stated that the international companies may have their own international requirements or code of conduct, however in China there are many factors that may hinder the Chinese to carry out their corporate social responsibility because they have different awareness about the standards.

Carroll (1979) constructed the overall social responsibility model which includes four types. These four kinds of responsibilities have different levels of awareness and are stated in ascending order:

1. The economic responsibility: This is the most important responsibility for a company. It means that enterprises must have production and sales to make a profit in order for them to survive.
2. The legal responsibility: This means that companies should abide the law, and make sure nothing illegal is performed in their business practices.

3. The ethical responsibility: This means that the corporate behavior has to respond to the social expectations.
4. Discretionary responsibilities: This means that companies are actively performing CSR activities and do not only follow society's expectations or legal requirements (Carroll, 1979).



*Figure 1, The two-dimensional model of corporate social responsibility (Quazi, Ali M and O'Brien, Dennis, 2000)*

**Figure 2**

The figure sums these responsibilities in four perspectives in ascending order, which are called:

1. Classical viewpoint: The companies only focus on maximizing their benefit and they do not care about their corporate social responsibility. (Quazi, All M and OBrien, 2000)
2. Socio-economic viewpoint: This viewpoint states that CSR can bring some net income, and that companies should meet social responsibility if they have achieved their maximum benefits. So under the premise of being profitable the enterprise should carry out CSR activities, profit status is clearly still more important (Quazi et al, 2000)
3. Modern viewpoint: This viewpoint states that if a company can keep up a good relationship with the various stakeholders, then the company will continue to make a

profit from it. In this view, CSR has been integrated with profitable behavior. (Quazi et al, 2000)

4. Charitable viewpoint: This view states that from the broad perspective of social responsibility, companies should consciously and actively carry out charitable activities. This should be done regardless of the cost since the charity's purpose is to allow society to become better. So enterprises should be selfless and noble (Quazi et al, 2000)

Erming & Zheng Ping (2006) believes that in developing countries firms always has a one-sided understanding of corporate social responsibility. Quazi & Brien (2006) stated that in developing countries most of the enterprises are using the classic and socio-economic viewpoints, and their implementation of the corporate social responsibility is mainly focused on economic and legal responsibilities. Corporate social responsibility from the developed countries' view is considered to be something that could increase their costs and risks of cooperation (Quazi & Brien, 2006). So in different countries, the understanding of corporate social responsibility may not be at the same level and therefore some barriers may arise.

### **2.2.2 Organization-related barriers**

Post & Altman (1994) identified organizational barriers as: Organizational barriers, which are of interest for discussing barriers to code of conduct compliance among suppliers, include poor communications and inadequate top management leadership. Management leadership means the attitude and behaviors from the top management. Arguably, communication and top management are important factors of sharing code of conduct, since they are needed to give legitimacy to a change effort.

### **2.2.3 Supply chain-related barriers**

A supply chain can be defined as a series of companies working together to ultimately provide the value of goods and services to the end user (Frida, 2011).

Jiaqing (2010) mentioned five kinds of barriers in the supply chain which are the following:

1. A faulty sharing system: the sharing of knowledge in the supply chain relies on each other's reputation, credibility and trust, there is little about institutional rigid constraints. Lacking of institutional sharing system is the difficulty to form a shared culture in the supply chain because there is no institutional support. Various management rules and policies are the solution of the conflicts. The more complete the system and mechanism, the smaller internal uncertainty there is. The distinction of powers and responsibilities

will be clearer. Instead, institutions and mechanisms imperfections will inevitably lead to conflict.

2. A low degree of trust: the level of trust between enterprises is reflected in the willingness of knowledge sharing. A long-term relationship between the partners will result in more willingness to share knowledge between the partners. However, due to the dynamic and openness of the supply chain, each node enterprise can freely join and exit the supply chain alliance in theory. Node enterprises may seek to maximize their own interests, seeking short-term interests.

3. Cost-benefit asymmetry: Knowledge sharing requires a corresponding input of manpower, material and financial resources. But more importantly, knowledge sharing is business investment in intellectual capital these inputs is invisible, its value is difficult to measure directly. As a result of the sharing of knowledge is the collective wisdom of the knowledge-sharing team, it is difficult to distinguish between knowledge sharing regarding who contributes more. This is especially true for sharing code of conduct. The company gives the guideline to the suppliers, while suppliers will act it in practice, so it is real hard to say who is more important in this situation. Although the supply chain businesses have formed a community of interests, but enterprises themselves are profit-maximizing stakeholders. Therefore, all enterprises in the process of cooperation will strongly defend their own interests. The overall profit of the supply chain is based on various corporate profits. The improvement of one corporate profit will lead to a reduction of other corporate profits. If some corporate profits are too low, then it will result in the relevant companies or suppliers either refused to participate in the supply chain knowledge sharing, or have negative behavior which is not conducive to the efficient operation of the supply chain.

4. Shared abilities are different: To achieve knowledge sharing among the supply chain enterprises supply chain node enterprises should have similar capabilities in the stock of knowledge, the understanding of knowledge, knowledge dissemination and other aspects of competence. If any enterprises with bad knowledge sharing capabilities exist, they can not only reduce the efficiency of knowledge sharing, but also affect the enthusiasm of knowledge sharing in the whole supply chain.

5. Lacking of effective incentives: as internal knowledge sharing, knowledge sharing among the supply chain enterprises also need to support knowledge-sharing incentives. Within the supply chain, enterprises have advantaged knowledge and can get a strong position in the distribution of benefits. Therefore, the supply chain enterprises should focus more attention on developing a series of incentives, and the lack of an effective incentive mechanism of knowledge sharing will inhibit the willingness of companies to share knowledge.

#### **2.2.4 Environment-related barriers**

In different countries, the understanding and attitude of code of conduct may be different, so the sharing of code of conduct is necessary to achieve uniform standards. There are a lot of researches focused on the causes of divergences, and a lot of studies try to locate the barriers on a national level (Frynas, 2006). Visser (2007) stated some environmental barriers in his book which are the following:

1. **Cultural Tradition:** Many people believe that corporate social responsibility is an idea from the West. (Visser, 2007). In China, the implementation of a code of conduct is facing both strong local culture and tradition which is deeply rooted. There are also different cultural or traditional views about business ethics. In fact, some of these traditions can be barriers to the acting of code of conduct.
2. **Political system:** Political system in the external environment can bring a pressure towards the implementation of codes of conduct which can result in a barrier. It is related more to the local laws or regulations.
3. **Governance Gaps:** CSR practices sometimes need to cooperate with government or even respond to their challenges. However, the attitudes of CSR from different governments are different, especially when dealing with economic development and the CSR issue together. This may also lead to a barrier (Visser, 2007).

The difference between political system and governance gaps is that political system is more about the legal system or the barriers that are caused by the local regulations. While the governance gap means the different awareness of CSR between the companies and the local government.

#### **2.2.5 Interpretation**

This model explains the influence of the barriers regarding sharing of the code of conduct from four views. These are: the CSR perspective, organizational perspective, the supply-chain perspective and the perspective of the external environment. The model is built covering all possible barriers in the process of sharing code of conduct between the company and its suppliers. However, due to some limitations each perspective does not have a detailed explanation. Such as culture, culture has a lot of intangible and profound influence of transnational corporations. Because of this limitation the discussion in this area will not be too deep. These barriers are not independent of each other. There are some interactions and mutual influence or even mutual generation between them. For example, In China the environment of labor market is in an oversupply situation due to the huge population. Therefore, the suppliers there can find cheap labor which may not be of high quality, as they are facing a low quality labor market. The suppliers is trying to be cost efficient, thus under the subjective and objective elements' interaction, this leads

to the suppliers having a low level of CSR. In the joint action of these barriers, it results in a failure to share the code of conduct.

### **2.3 Knowledge sharing**

The code of conduct is one kind of enterprise knowledge which needs to be shared between company and their suppliers. As Polanyi (1962) introduced a widely accepted classification of knowledge as explicit knowledge and tacit knowledge. Explicit knowledge could be codified and communicated in human scientific or linguistic symbols, while tacit knowledge is very difficult to articulate but may be communicated through direct human interactions. The code of conduct is written statement of principles, values or ethical guidelines for a business's activities and these codes of conducts are adopted entirely voluntarily or mandated by law (Seppälä, 2004). Therefore the code of conduct belongs to the group of explicit knowledge in business. As a rule it is always easier to share the explicit knowledge since that can be written down and documented. However even the explicit knowledge have some problems when being shared, such as that different people have different understanding of the same code of conduct.

Code of Conduct belongs one kind of enterprise knowledge. Knowledge which is one kind of important resource that can provide advantages (Davenport & Prusak, 1998). Therefore it is also crucial for the organization to be able to share this knowledge within the company and with others. There has been previous research which shows that knowledge sharing which is both knowledge transferring and knowledge application, it has a lot of benefit such as reducing costs, speeding new product development and innovation capabilities. (Arthur & Huntley, 2005; Collins & Smith, 2006; Cummings, 2004; Hansen, 2002; Lin, 2007; Mesmer-Magnus & DeChurch, 2009). *"Companies often invest large sums in Knowledge Management systems and it has been estimated that at least \$31.5 billion are lost each year by Fortune 500 companies that fails to share knowledge"* (Babcock, 2004 pg.116). These losses could be prevented by having awareness of the potential barriers to knowledge sharing, and knowing what actions to take in order for the organization to overcome these barriers. Moreover, it is important to share knowledge throughout the supply chain (Myers & Cheung, 2008). Knowledge sharing makes the supply chain more efficient with lower costs and quicker speeds, and more effective organizations with higher quality outputs and better customer service (Myers & Cheung, 2008).

It is also important to implement a knowledge management system to enhance knowledge creation and knowledge sharing. According to Bencsik & Kocsis, (2012) a knowledge management system is a tool that handles the different types of knowledge to create business results and competitive advantage. This conforms to the view that

knowledge sharing is one of the most important resource of a firm and it have to be managed correctly in order for the company to reap the benefits from it.

## **2.4 Trust issue**

In order for a company to share the code of conduct there have to be trust between the organizations and the individuals. Bencsik & Kocsis, (2012) stated that trust can be seen as the base of knowledge sharing and without trust the knowledge sharing is just an illusion. Trust is not only important in knowledge sharing. It is required to be able to do business since the business partners have to trust each other (Morgan & Hunt 1994). Hendriks, (1999) states that knowledge sharing implies a relationship between at least two parties, one of them possesses the knowledge (source) and the other one acquires the knowledge (recipient). It is crucial that the recipient trust the source of the knowledge so that the knowledge can be used instead of discarded(Hendriks, 1999).

Trust is crucial within a supply chain, the cooperation between the actors in the supply chain need a basis of trust in order for them to function properly. According to the opinion from Potocan, (2002), trust is the central and important question in the modern discussion regarding supply chain management. Companies that want to share code of conduct to their suppliers have to trust the supplier enough to be able to share the knowledge that is required(Dobers & Halme, 2009). It is also important to enforce trust in corporations through agents that will provide solutions to social and environmental problems (Dobers & Halme, 2009). Trust can be used as a tool to solve or avoid the barriers.

There are different degrees of trust in knowledge sharing. Levin et al. (2003) stated three important elements of sharing and these are: common language, common vision and that the provider demonstrates discretion. Levin et al. (2003) then explained these. Common language is using a language to communicate which will allow the recipient to understand. Common vision is used to create good relationship between the partners that will lead to long-term trust. Also, if discretion means that company who ask the suppliers to follow their code of conduct will give the suppliers the freedom and authority to decide what to do according different local situation. It is important that the receivers trust the knowledge. If they do not trust the source then the knowledge will not be accepted and the sharing will fail (Andrews & Delahaye, 2000).

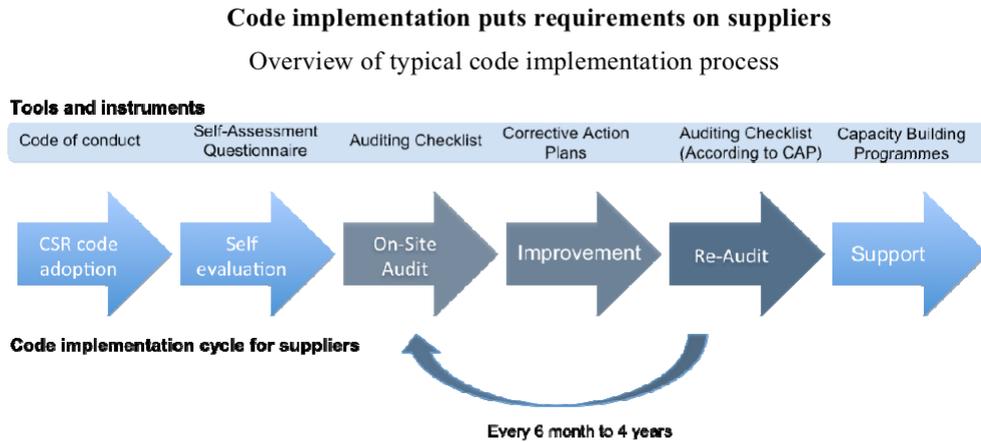
Andrews and Delahaye (2000) presented that trust is one of the important determinants for knowledge sharing. Both the sender and receiver of knowledge should have mutual trust otherwise it is hard to have a successful sharing (Aziz, Gleeson, Kashif, 2013 pg.11). Trust issues are evident when sharing knowledge to suppliers as well. The company hopes to gain the trust of their stakeholders that their products are produced in a

responsible manner by having business partners in the supply chain that sign their code of conduct with a promise to follow to the relevant codes (Ockborn, 2006). Blowfield, M. & Murray (2011) stated that trust can be the most important resource in business relationships. Showing the public and their business partners that the company does attach importance to their values in their code of conduct, it can help the suppliers to trust the knowledge also (Blowfield, M. & Murray, 2011).

## **2.5 Monitoring**

Weele (2010), Shao et al. (2008) and Maignan, Hillebrand & McAlister (2002) stated the similar idea that evaluation and monitoring is very important in order to control the supply chain and avoid the barriers successfully. Pederson and Andersen (2006) argued that in order to ensure the implementation of social responsibility throughout the supply chain companies use code of conduct to ensure that they can respond to environmental and social challenges. One key element is the successful implementation of the code of conduct. It would be hard to get all parts in an international supply chain to comply with the code of conduct because different parts are facing different situations (Gullander et al, 2012 pg.40). Lindholm, (2009) directly said that the code of conduct code of conduct needs to be monitored, through both regular checks and temporary checks. Workers and organizations must be able to timely reporting the problems if the code of conduct is violated. (Lindholm, 2009).

Andersen (2009) showed that that suppliers in different countries, especially in some so called high risky areas, need to have strict supervision procedures and suppliers need to conduct long-term and frequent CSR assessments. A lot of supplier provided their products to many customers; they may accept many checks and monitoring. Monitoring can reduce their mistake about the implementation of the code of conduct, to solve errors, and effectively avoid some barriers (Corporate Social Responsibility in Global Value Chains. 2012). In the booklet Corporate Social Responsibility in Global Value Chains (2012), it is described that such implementation programs consist of assessment and monitoring procedures which can generally be divided into six steps as shown in this figure:



Source: UNCTAD

**Figure 3**

The implementation of the code of conduct is the most important part according to Oehmen et al (2010) since it puts the theory into practice, a successful implementation could be achieved by using training and education so the suppliers can see the long term benefits of having a code of conduct, and changing mindset of the suppliers has to be achieved. A changing mindset of suppliers means understanding that compliance with the requirements of the code of conduct is good for the suppliers in different aspects (Mohamad Zakaria, Zanda Garanca, Abdallah Sobeih, 2012). There is also a need for a contractual agreement to be written so that necessary actions can be taken if the contract is violated (Corporate Social Responsibility in Global Value Chains, 2012).

The three most relevant stages for this study concerning monitoring will be discussed below.

### **2.5.1 Self-evaluation**

Corporate Social Responsibility in Global Value Chains, (2012) stated that if the company will share the code of conduct with suppliers, it may ask suppliers to do a self-assessment about their social responsibility performance and attitude. The self-evaluation can be done by questionnaire which is given to the supplier. CSR self-evaluations can help supplier to build a more systemic approach to managing social and environmental responsibility. Therefore doing self-evaluation can give supplier ideas about identifying practical measures. Practical measures are used for changing organizational procedures and workplace safety. Furthermore, with the self-evaluation, suppliers can understand what the expectation from customers during an on-site audit is or how their code of conduct can be acted. The results of self-evaluations will be written down in the

company's risk assessment. Apart from the results of the self-evaluation, Corporate Social Responsibility in Global Value Chains, (2012 pg.10) also stated that *“the risk assessment is also based on criteria such as the volume purchased from the supplier, its geographical location and the type of products produced.”*

### **2.5.2 On-site audit**

Risk assessment is also stated like regular visits to monitor the social and environmental performance of suppliers (Corporate Social Responsibility in Global Value Chains, 2012). It is common practice, Corporate Social Responsibility in Global Value Chains, (2012) stated that 89 percent of the companies use on-site monitoring to verify compliance situation. Most companies (76 percent) use an independent third party auditor to assess the performance of following code of conduct by suppliers. These third parties can be a professional consulting firm or with NGO such as social responsibility of international companies or the Fair Labor Association. A challenge for on-site monitoring is that companies are not acting professionally. Since there is no standard or formal recognition the auditors need to fulfill. Auditors have to care about the problem of corruption, because this would destroy the credibility of audit (Corporate Social Responsibility in Global Value Chains, 2012). Another main problem with monitoring is the fact that suppliers often try to mislead the monitoring organization (Egels-Zandén, 2007).

### **2.5.3 Improvement**

If an audit finds that suppliers do not follow the code of conduct very well, suppliers typically need a corrective action plan then (Corporate Social Responsibility in Global Value Chains, 2012). Companies always give the suppliers a chance of remediate action, because they hope using the remediation instead of stopping the cooperation relationship (Corporate Social Responsibility in Global Value Chains, 2012). Generally, corrective action plans can improve suppliers' management skills and change their inadequate leadership.

## **3 METHODOLOGY**

### **3.1 Research method**

Research methods that can be used are either qualitative or quantitative. Qualitative research is unstructured and exploratory that uses small samples to gain insight to a problem (Malhotra, 2010, pg.73-74). Quantitative research is used to quantify the data, it is structured and usually use some form of statistics (Malhotra, 2010, pg.171).

This paper uses a qualitative research method; the main reason for this is that the data collected would be hard to gather through statistics since it is hard to define with numbers. The data is mostly opinion based and some of the topics discussed are intangible and therefore it is difficult to gain the proper results with a quantitative method. There will be in-depth interviews that will require explained answers as well as follow up questions. The interviews will be performed face to face and by telephone because some Chinese suppliers are too far to interview face to face, this is done to make it more personal and also to get more information through conversation and follow up the interview questions.

Furthermore, the approach used to carry out research for this article is deductive. The deductive approach can be defined as an approach to develop a hypothesis based on existing theories and forming research strategies to test this assumption (Wilson, 2010). The theoretical framework was formulated prior to the process of gathering primary data. The interviewing questions were designed from the theoretical framework. In this thesis, the theories in theoretical framework can be used to instruct research direction for gathering of empirical data. Then using the theories to verify with the theoretical framework and analyze or interpret the primary data which is collected through the interviews.

### **3.2 Companies**

This study will investigate the sharing of code of conduct between the source and recipient company.

The source company which will be studied and interviewed to get data in this thesis is Volvo. Volvo is a famous Swedish manufacturer of trucks, busses and construction equipment. It also supplies marine and industrial drive systems, as well as financial services. The Volvo Group headquartered is located in Gothenburg, Sweden. As the largest industrial enterprise groups in Sweden Volvo has production in more than 20 countries and regions around the world. They have business transactions in more than

190 markets and their customers are distributed throughout the world. Employees are located worldwide since Volvo has departments all over the world (Introduction of Volvo, 2013).

The recipient company is Shenzhen Genor Power Equipment Co., Ltd and they are one of the Chinese suppliers of Volvo group. It is a Chinese factory producing diesel generator sets, gas generator, silent generator set, generator trailers, lighting towers. The company was founded in 2000 in Shenzhen, Guangdong, that is the most developed regions of China's manufacturing industry. As companies grow, they established several factories in different provinces. They have 3 Chief engineers, 8 Senior Mechanical Engineers, 7 Senior Electrical Engineers and more than 30 technical employees. This company has obtained ISO9001: 2008 certificate, ISO9001:2004 environment certificate, CE and CCC certificate. In 2011 they became the Original Equipment Manufacturer (OEM) factory for Volvo Group.

Due to the phenomena of sharing code of conduct and that the different barriers are complex, it was deemed necessary to go for a large multinational company. This was done in order to get comprehensive insight and find answers to the research question. In this thesis, Volvo was the choice of company, the reason behind choosing Volvo is that it is a large multinational enterprise that has suppliers in different parts of the world. Especially in China, the Chinese market has become the world third-largest independent market in 2011 for Volvo Group, and Volvo announced they have already taken care of a lot of CSR issues and have a code of conduct in China (Introduction of Volvo, 2013).

According to a lot of common negative news from different Medias, China is a high risky country for acting code of conduct. It seems that code of conduct cannot be shared and acted very easily by Chinese suppliers. The suppliers in China are known for having problems or barriers when it comes to receiving and implementing code of conduct, therefore it will be ideal to investigate how Volvo proceeds with the sharing of code of conduct to their suppliers in China. The study is written to investigate what barriers may appear in the process of sharing code of conduct between Volvo and its Chinese suppliers and how barriers affect the sharing activities, and how do trust and monitoring work in this process.

### **3.3 Data collection**

Both primary and secondary data was gathered for this study. The primary data collection is in the form of interviews, a face to face interview with the Logistics manager Maria Franksen at Volvo Powertrain Production in Köping and one telephone interview with CSR manager in Volvo Group Martin Bramsved has been made. Another telephone interview with one of the Chinese supplier of Volvo has also been done; the interviewee

was the spokesman of Shenzhen Genor Power Equipment Co., Ltd. He wanted to remain anonymous so his full name will not be used in the thesis, Instead he will be referred to as Mr. Li.

### **3.3.1 Primary data**

Two kinds of interview forms have been used, one with questions designed for Volvo managers and one with questions designed for the supplier in China. Both these two kinds of interviews questions formed from the theories in theoretical framework. The stages of the interviews are first of all, interviewers will present the purpose of this thesis and explain what details need to be collected from the interview. There will also be explanations of some detailed information. Then, the interview with Volvo contains five opening questions and seventeen main questions. The last part is four concluding questions. The opening questions are asked for the CSR manager in Volvo Group Bramsved Martin and Logistics manager Maria Franksen at Volvo Powertrain Production in the purpose of finding the overview of the situation about CSR implementation and their explanation of suppliers. The information to be collected from the main questions consist of Volvo's attitude of CSR and their code of conduct, how the code of conduct can be shared with their suppliers and what subjective or objective barriers they are facing in their situation. Also the interviews want to know how their trust with suppliers is or if there are any problems about the trust. There are also questions which aim to find out how is the situation about Volvo monitors the suppliers of code of conduct issue. The concluding questions try to once again stress the importance of key-points or get some supplementary information.

Little changes have been made for the interview questionnaire for Shenzhen Genor Power Equipment Co., Ltd. It includes two opening questions, but the aim of the opening questions is the same as it in the Volvo questionnaires. Fourteen main questions appear in this interview. The purpose of the interview with the Volvo supplier in China is to find out if their level of awareness about CSR is consistent with the attitude which Volvo Group claimed. Questions are also tried to discover how they felt about Volvo code of Conduct. Their answers may also show the barriers which exist between the source and recipient when sharing code of conduct. In addition, the survey also hopes to get the explanation about the trust from the supplier's point of view.

### **3.3.2 Secondary data**

The secondary data was gathered through the Volvo and the Chinese suppliers' websites and the public reports or code of conduct as well as literature reviews through various articles. The main source for gathering literature review for this article was Mälardalens University's library and online database. Different journals and scientific articles were

explored in order to reach the conclusion and decide upon the careful theories for making the frame of reference for this article. Apart from MDH library and database, some other trusted online publications and some news from newspaper or internet in Sweden and China were also taken into consideration and used for theoretical framework or as auxiliary materials. The information from articles was about the areas of CSR, knowledge sharing, trust, code of conduct and barriers, especially the sharing of code of conduct to suppliers which is the main area relevant to the articles for data collection, therefore the keywords used were: Knowledge sharing, CSR, code of conduct, supplier, supply chain, knowledge sharing barriers, etc. The databases used for gathering articles was ABI inform which is mainly used for business research and the database Google Scholar was used as well. The database DIVA was used to find earlier bachelor thesis concerning these subjects.

### **3.4 Data Analysis**

The target of data analysis is to find out the possible answers to the research question. The analysis of experimental data will be operated mainly from three parts. First, the thesis will analyze the content of Volvo's code of conduct from the view of different degree of CSR understanding and the multi-barriers model. This is done to see if the company considered both local and global CSR issues and the cognitive level of the code of conduct. Then compare the result with the answers collected from the supplier's interview, to check if they have cognitive differences. Secondly, the study is going to exam from a comprehensive view if these barriers exist in the process of sharing code of conduct between Volvo and its Chinese supplier and how barriers influence the sharing of code of conduct by analyzing the data from the interviews. Thirdly, this thesis tries to check the relationship between trust and the monitoring from the experimental data, and to evaluate how the trust relationship between the company and suppliers is and find out how the quality of the monitoring process is. The analysis of data analysis will also see how different barriers can be formed due to the real situation that is reflected from the empirical finding.

### **3.5 Validity**

Validity is associated to the truthfulness of the conclusions that are extracted from the research (Bryman & Bell, 2007). To ensure validity in this study there will be both interviews and theories. The theory is extracted from academic articles which are considered to have a high level of validity, these are tested and conformed theories. The interview questions will be related to the theories which will provide validity to the questions. Furthermore the analysis and conclusion will be based on the theories and

empirical findings which will ensure truthfulness. The conclusion will be compared with the research question and the purpose to ensure that the study accomplished its purpose.

### **3.6 Reliability**

Reliability of a qualitative research is evaluated on its transferability, trustworthiness, credibility and dependability (Bryman & Bell, 2007). This study ensured reliability and all of its parts by using well known theories from academic articles. The interview respondents had high positions within the companies and could therefore give reliable and relevant answers to the questions.

### **3.7 Operationalization**

In this section a sample of the interview questions were connected to the relevant theories and explanations were shown. This was done to give a better understanding of the choice of questions.

### 3.7.1 Volvo interview questions

<b>Questions</b>	<b>Theory</b>	<b>Explanation</b>
How does Volvo engage in Corporate Social Responsibility (CSR)?	Bryan W. Husted and David B. Allen's theory about local and global CSR, and CSR-related barriers: Cognitive differences (Blowfield & George Frynas, 2005 and Quazi, All M and OBrien Dennis, 2000)	This question is used to find out Volvo's view on CSR and at what level their CSR requirements are set. This will be connected to the supplier's view of CSR to see if there are any cognitive differences.
Could you explain how Code of conduct is shared to your suppliers? , What requirements do they have to follow, etc.? (Focus on Chinese suppliers if possible)	Organization-related barriers (Post & Altman, 1994), Supply chain-related barriers theory (Li Jiaqing 2010)	This question is used to gain information about the sharing process and also to identify possible barriers.
How is the relationship between Volvo and its suppliers? , is there a high or low level of trust? (Focus on Chinese suppliers if possible)	Chain-related barriers theory (Li Jiaqing 2010) and trust theory (Levin et al. 2003)	This question is used to identify possible supply-chain barriers and to see gain specific information regarding the level of trust between Volvo and their suppliers.
How can you monitor your suppliers when it comes to implementing your code of conduct? , Or how do you ensure that your code of conduct is followed? For ex: Through audits, controls, etc.	Monitoring theory (Corporate Social Responsibility in Global Value Chains, 2012)	This question will give information regarding how Volvo monitors their suppliers and how efficient their monitoring process is.
What are the possible environmental barriers when sharing code of conduct with suppliers?	The Environment-related barriers theory Wayne Visser (2007), Our own Multi barriers model.	This is used to identify the environmental barriers such as political and cultural barriers.
Is there something that you would like to add concerning the topics code of conduct and barriers to code of conduct?	All theories mentioned	This is a concluding question that is used to gain additional information that might have been missed in previous questions.

### 3.7.2 Supplier interview

<b>Questions</b>	<b>Theory</b>	<b>Explanation</b>
<p>What do you think about Corporate Social Responsibility (CSR)? As well as your own CSR value?</p> <p>Can you explain how you feel about Volvo's code of conduct?</p>	<p>Bryan W. Husted and David B. Allen's theory about local and global CSR, and CSR-related barriers: Cognitive differences (Blowfield &amp; George Frynas, 2005 and Quazi, All M and OBrien Dennis, 2000)</p>	<p>This is used to find out the supplier's view of CSR and how high they value CSR. There is also an additional question to see how they feel about the requirements that Volvo has. This will be connected to Volvo's view of CSR to see if there are any cognitive differences.</p>
<p>How does the code of conduct influence your business?</p>	<p>Organization-related barriers (Post &amp; Altman, 1994), Supply chain-related barriers theory (Li Jiaqing 2010)</p>	<p>This question is used to gain information about how the requirements affect the supplier's business. It is used to identify some possible organization and supply-chain related barriers.</p>
<p>How is the relationship between you and Volvo? , is there a high or low level of trust? And how do you build your trust?</p>	<p>Chain-related barriers theory (Li Jiaqing 2010) and trust theory (Levin et al. 2003)</p>	<p>This question is used to identify possible supply-chain barriers and to see gain specific information regarding the level of trust between Volvo and their suppliers.</p>
<p>How can Volvo monitor you when it comes to implementing your code of conduct?</p>	<p>Monitoring theory (Corporate Social Responsibility in Global Value Chains, 2012)</p>	<p>This question will give information regarding how Volvo monitors their suppliers and how efficient their monitoring process is.</p>
<p>What are the possible environmental barriers about acting code of conduct in China?</p>	<p>The Environment-related barriers theory Wayne Visser (2007), Our own Multi barriers model.</p>	<p>This is used to identify the environmental barriers such as political and cultural barriers.</p>
<p>Is there something that you would like to add concerning the topics code of conduct and barriers to code of conduct?</p>	<p>All theories previously mentioned.</p>	<p>This is a concluding question that is used to gain additional information that might have been missed in previous questions.</p>

## 4 EMPIRICAL FINDINGS

### 4.1 Views of Volvo managers

The source company which will be studied and interviewed to get data in this thesis is Volvo. Volvo is famous Swedish manufacturer of automotive and construction equipment (Introduction of Volvo, 2013). Moreover it provides marine and industrial drive systems as well as financial services. The Volvo Group headquartered is located in Gothenburg, Sweden. They have production and business partners in more than 20 countries and regions around the world. (Introduction of Volvo, 2013)

The Volvo Group is famous for dealing with CSR issues; they got a good reputation from CSR. They create value for customers, and manage to promote the sustainable development of the economy, society, and environment. Volvo constantly claimed that to protect the natural environment, to take social responsibility initiative and to achieve profitability, all of them are Volvo's goal at the same time (Volvo sustainable report, 2012). Volvo is representative in the area of CSR for their industry and is therefore an interesting company to study.

In order to collect the relevant data, this study did two interviews with Volvo. One face to face interview has been done in May 14<sup>th</sup>, 2013. The interviewee was Maria Franksen, the supply chain director in Volvo Powertrain Production in Köping, and she is ultimately responsible for everything from supplier to customer and all movements of material in between. A telephone interview has been done with the CSR manager Martin Bramsved in Volvo Group. Before the interview, the theoretical framework, relevant model and ideas were introduced to both respondents. This was done to ensure that the interviewees can understand the interview questions and answer them efficiently. At first, Maria and Martin presented a brief background about suppliers in the Volvo group, Volvo have around 6 000 suppliers who supply direct material to their products and they assumed that Volvo some suppliers in China, Russia, India and Brazil while around 75% suppliers still in Europe. Volvo prepared a long term relationship with their suppliers for benefit of both parties, and that is also part of the business idea for Volvo in order to gain continuous improvements together.

Coming to the main interview questions, Martin mentioned that Volvo has had their code of conduct since 1982, and Maria said that the code of conduct is separated from code of conduct for employees and ground rules that they set for the suppliers. In this thesis, the study mainly focuses on the part which needs to be shared with suppliers. This part as Maria introduced need to be enforced with their suppliers, the details in the code of conduct are basic principles such as Volvo does not accept or approve any child labor or

slave labor. However the answer from her also showed that even these fundamental principles can be a challenge sometimes.

Their code of conduct is used for several reasons and these are some of them: Unsafe conditions, Work environment, uphold all international laws, and also at nations classified as war zones. That is to say, the code of conduct is to ensure that protecting human right or other justices and have production safety. According to social responsibility model by Carroll (1979), the code of conduct in Volvo is basically for legal responsibility and ethical responsibility. The point of view of this code of conduct is socio-economic viewpoint and modern viewpoint (Quazi et al, 2000). In general, Volvo strongly believes that Volvo as a global company has responsibility to promote sustainable growth and through their own code of conduct they can make an improvement to the society. Maria also stated that if a Volvo employee observes that a supplier broken anything in the code of conduct, then they have obligation to report to Volvo. For the question about how Volvo share the code of conduct with suppliers the answer was that it is in the first contact process where Volvo state their requirements and tell the suppliers that these codes must be fulfilled. So when Volvo conveys the code of conduct it mainly relies on suppliers' self-learning.

Another question was about the situation of possible problems or barriers that could hinder the sharing and implementation of the code of conduct. Maria answered that in the tender process Volvo can have suppliers promising that that they will follow the requirements, however further down the process Volvo might discover that requirements was not followed. This will result in Volvo changing to another supplier. Usually the suppliers try their best to follow the requirements. This shows that a problem with dishonesty can be a risk in the early process. Bramsved Martin stated that before they choose suppliers, they also make risk assessment of each country's risk related to for example business ethics like corruption and so on. As well as risks for violation of human rights and also environmental risks so they gave more attention to the suppliers in high risk countries.

The long-term relationship with suppliers is encouraged since the time will build a higher level of trust. Maria stated that trust is built through time and cooperation. The Volvo's trust for its suppliers runs throughout the entire process of sharing code of conduct. In theory, Levin et al. (2003) pointed out that building trust should be based on three points: common language, common vision and that the provider demonstrates discretion. For common language, Maria introduced that Volvo uses English. The fact is that the majority of the suppliers have English as second language. They have to follow the Volvo common language in the form of terms and language that is used by Volvo so they will learn with time.

Maria believed that it is not always necessary to have a common vision with suppliers about code of conduct; since Volvo is the buyers they set the rules. Volvo asked that their

core values have to be respected by the suppliers. The suppliers might have other visions but Volvo's aim is to have a beneficial cooperation for both parties. Martin said Volvo Group has the same code of conduct all over the world; they require the code of conduct have to be followed by suppliers. But as Maria said they would also make some minor adjustments for instance for the environment issue with transportation in which they know that they cannot put the same demands on an Asian supplier as they do with a European supplier. The same situation might not exist, so there have to be some adaptations.

When talking about monitoring of sharing code of conduct, Martin said Volvo conducts monitoring of supplier about code of conduct in the same way around the world, in China they do not have any particular method. The process is the following: first they put together a list of demands for example the environmental demands and also corporate social responsibility. They send suppliers a questionnaire one for the environmental topic and one for corporate social responsibility. Then Volvo asks the suppliers to answer a number of questions and send it back to Volvo, after that Volvo will evaluate the answers. If the evaluation is good, then some relevant people will visit the suppliers in their factories to check quality. Normally Volvo use self-assessment methodology, while there is a slight challenge to get answers on the questions. Sometimes it is easy sometimes they really have to push the suppliers to get their answers however the response rate is around 70% and it's actually a high response rate.

Volvo always faces challenges when it comes to code of conduct with the suppliers. So Martin thought the barriers of sharing or acting code of conduct is really complicated. Martin also explained that Volvo uses self-assessment methodology when assessing their suppliers; they do not do the same as other manufacturing companies like IKEA which do a huge number of supplier's visitations and check-up of the performance on sites. The reasons can be that Volvo normally has very long-term relationships with their suppliers so they trust that their suppliers know and can act their code of conduct. However in order to raise the suppliers' awareness for their code of conduct, Volvo follows up the actual performance by doing on-site visits.

Maria also explained that since the code of conduct is non-negotiable so the suppliers have to prove that they can follow the requirements. They have a lot of interfaces, like transport, packaging, commercial, interface so it's difficult for a supplier to hide their intentions if they are dishonest since their intentions can be exposed in anyone of these stages. They have regularly contact with suppliers as well. All supplier checkups are done by their purchasing organization. Naturally Martin admitted that Volvo in this stage does not know or control the situation about non-compliance totally. The Volvo Group mainly relies on the consciousness of independent management of suppliers. Another important finding is that Volvo does not offer any special reward for suppliers who did well, their

whole idea is as Maria said that the code of conduct itself should be beneficial for both parties so that it is a reward in itself.

When talking about China, according to Volvo's risk assessing Martin presented that China is one of the high risk countries for both business ethics and human rights together with Russia, India and Brazil but there are different risk levels.

Volvo has the rule to ask suppliers to have communication with them about code of conduct, and this is enforced and explained, in the final contract stage and also through the implementation, after that they have supplier evaluation every year. In general, as Maria said, Volvo strongly believes that the majority of the suppliers try their best to act according to the code of conduct but they have very strict and advanced rules. So they still need to give the suppliers the understanding and also the knowledge on how they can comply with the ground rules in China. For the objective barriers what they may have, Martin took an example, there is a contradiction about free labor unions in China because for example in china it is forbidden. But Volvo's code of conduct has a rule about freedom of association but at the same time Volvo as an employer wants communication with its employees so they have to arrange it slightly differently in China because they want nothing illegal. Still Volvo wants to be responsible and good but they also had to adapt to local legislation of course. If there is a conflict between the code of conduct and local legislation when it comes to details for example they ask the supplier basically use their code of conduct as the guiding principle.

## **4.2 Views of the Chinese supplier**

One telephone interview had been done in May 10<sup>th</sup>, 2013, with Mr. Li, the Spokesman of Shenzhen Genor Power Equipment Co., Ltd. After introducing the theoretical framework and purpose of this thesis, the interviewee introduced themselves and explained their connection to Volvo.

The vision of this company is providing the most satisfactory products and services for clients. Mr. Li explained their view about CSR, while in his mind, about CSR there is not a clear understanding. Also when the details about CSR issues are discussed he only refers to some theory of justice. This is the same approach as Volvo has since they only referred to avoidance of child labor, forced labor, protection of labor rights and so forth. They guarantee that their company's activities are not illegal. However when asked about their corporate social responsibility values, He gives some vague answers only. He has always stressed that their main responsibility is to ensure products' quality is no problem, and they do not violate any laws or regulations. Their attitude about Volvo code of conduct is that they believe as an international famous brand, Volvo must have a good code of conduct. Since they produce the parts for many different well-known

international car manufacturers the Volvo's code of conduct is rational for them. They would like to do what they can to enforce this code. He repeatedly stressed that they are able to perform the code of conduct or requirements, and they also have a manager that is specialized in this job. They will have self-examination of acting code of conduct.

However their main target is to ensure safety in production, provide high-quality goods and comply with the law. He believes that a code of conduct from Volvo Group contain advantages and disadvantages at the same time. From the perspective of the advantages they believe the code of conduct can help them improve their activities and awareness levels of CSR. It can even bring more development opportunities. While some of these factors in the code of conduct does not suit for them very well, especially considering the local situation and environment. He said since the code of conduct from Volvo Group is an international code with the high level of CSR standards. In theory, the code of conduct from Volvo should be size-fits-all in the world, but since Chinese situation is different, maybe Volvo Group did not consider the local elements enough.

Mr. Li explained concerning learning of code of conduct that before they sell their products to Volvo, they need to contact with Volvo Group. Then the Volvo Group told them to read the information on their website and to do and update the self-assessment. It also said that Volvo sometimes will have the audits. On their website, Volvo has a lot of information about CSR issue and relevant requirements. So they will receive a document with code of conduct and self-assessment and learning the code of conduct by them. When Mr. Li answered the survey questions he stressed that there are barriers existing in the sharing process of code of conduct and there are many obstacles in China regarding corporate social responsibility. For example, many policies and regulations may produce the barriers. The common labor quality is not high, and also China's overall labor market structure is too complicated. These problems can really have a negative impact on the performance of code of conduct in corporate social responsibility.

Mr. Li stated that the general opinion in China is that both managers and employees are more focused on revenue and benefit rather than CSR. In China's current environment companies know that social responsibility maybe not necessary because the benefits is not that clear and there are still something in doubt. Moreover, the reality is that in the Chinese market, the implementation of the code of conduct does not bring much profit. So in China, one of the main issues is that people are not able to understand CSR as deep as in Europe.

During the Volvo interview, they repeatedly emphasized their trust in suppliers through long cooperation. While the Chinese supplier saw the trust as Mr. Li said that Volvo is an internationally renowned company, so of course they trust Volvo and Volvo's requirements must be reasonable. By providing quality products and have a cooperative relationship the suppliers should also be able to get Volvo's trust. The business

partnership they have now with Volvo already reflected this trust, though this trust is not perfect.

Mr. Li said that they need more understanding from Volvo regarding the local conditions and they would like to be able to adjust the implementation of code of conduct more.

Considering the common language and vision, the supplier expressed they use both Chinese and English to communicate with Volvo in China or in Sweden. They can get the code of conduct both in Chinese and English. They agreed with Volvo about their code of conduct. Their vision is not as ambitious as Volvo's, so they are more willing to learn and obey Volvo's requirements. Even though, there are some barriers of acting code of conduct, they said Volvo regulated the code of conduct to the lowest level of CSR that they have to follow, so they have no right to adjust it.

When interviewing about the monitoring from Volvo, Supplier recognized that Volvo does not have a lot of monitoring behaviors. The monitoring relies on own self-regulation basically. Initially, Volvo asks them to answer the questionnaire and to comply with Volvo's code of conduct. Mr. Li admitted that they did not have a clear plan about how to monitor their situation regarding code of conduct. They tried to ensure that everything is legal, and nothing happened regarding the quality of production. They have never broken the code of conduct before, although if it happened they would take the initiative to contact Volvo, Volvo would then help them to improve.

Regarding the questions about punishment, Mr. Li stated that the worst case scenario would be that the cooperation is terminated. He also specified that there is no reward from Volvo for following the code of conduct in a good way. Finally, he said that the biggest problem in China is that it is impossible to have any workers' organizations or unions. The Chinese government often took some intervention on their business, but unfortunately, the Chinese government pays more attention to the GDP instead of CSR. This leads to Shenzhen Genor Power Equipment Co., Ltd being squeezed in the middle of Volvo and the government which creates difficulties.

## 5 ANALYSIS

### 5.1 The code of conduct

In this section, the first is the interpretation and analysis of Volvo Group's Code of Conduct. The specific content of the code of conduct has four principles, the general principles, the business principles, the principles of human right and social justice and the environmental principles.

#### 5.1.1 General principles

In general principles, each country's law have to be respected. Therefore Volvo pays attention to respond to both the local and global CSR. This was combined with Carroll's social responsibility model (1979). This requirement focuses more on legal responsibility which is not very high and do not really contribute to the improvement of CSR in different countries. While "*demonstrate and promote suppliers commitment*" (code of conduct of Volvo Group, 2012 pg.2) means that Volvo have the trend to help suppliers to undertake the higher level responsibilities such as ethical responsibility or discretionary responsibility. In the theory of two-dimensional model of CSR (Quazi et al, 2000), this principle shows that Volvo have the ambition to improve the suppliers' viewpoints to the different viewpoints which have broad sense of responsibility or high level of implementation of the CSR. It also mentioned the condition like "*in policies, decisions and activities*" (code of conduct of Volvo Group, 2012 pg.2), the potential meaning of it is that Volvo's requirements do not just transfer the international standards which are quite metaphysical; they also emphasized the local CSR environment and challenges, such as Dahlsrud (2008) stated that new stakeholders and different national legislations are putting new expectations on business and altering how the social, environmental and economic impacts should be optimally balanced in decision making. The requirement "*integrate the principles of this policy into critical processes*" (code of conduct of Volvo Group, 2012 p2) show that their activity of sharing code of conduct with suppliers, not just transfer some requirements but also need the supplier to use it in their local environment. The Volvo Group encourages its business partners to apply standards of business conduct consistent with the principles of this code of conduct. And the general principles indicated what Jenny et al. (2005) wrote, that the code of conduct is voluntarily developed rules to guide and require their suppliers about how to realize the value of the company in the business environment. And it proves the theory like code of conduct can also be explained as a guide of how the company should run their business with the society and environment in consideration (Gullander, Johansson & Svensson, 2012).

### 5.1.2 **The business principles:**

1. The first principle of business principles in Volvo code of conduct (2012 pg.2) is accounting and reporting, they ask that *“all financial transactions of suppliers shall be reported in accordance with generally accepted accounting practices, and the accounting records must show the nature of all transactions in a correct and non-misleading manner. The Volvo Group shall report in a transparent, truthful and timely manner with the aim of conveying a true view of their performance.”* This requirement focuses on the legal responsibility (Carroll, 1979) and it belongs to the socio-economic viewpoint (Quazi et al, 2000), while this item is more about global standards. Although in different countries the accounting rules may be different, the main principle will be similar just as it is in Volvo’s code of conduct.
2. The second requirement is anti-corruption, it said the *“Volvo Group shall not participate in or endorse any corrupt practices. Representatives of the Volvo Group shall not offer customers, potential customers, suppliers, consultants, governments, agencies of governments, or any representative of such entities, any rewards or benefits in violation of applicable laws or established business practices stricter than applicable laws, in order to obtain or retain business or to gain any other improper advantage.”*(Volvo code of conduct, 2012 pg.3). This is also based on legal responsibility but it relates to the ethical responsibility on a higher level (Carroll, 1979) and it is a socio-economic viewpoint (Quazi et al, 2000). Anti-corruption is an international fundamental principle as well.
3. The third is money laundering; *“Volvo and their suppliers should not accept, facilitate or support money laundering.”*(Volvo code of conduct, 2012 p2). This is grouped the same as anti-corruption, it mainly belongs to legal responsibility and ethical responsibility (Carroll, 1979). It is a global principle also, but although this item is correct, it does not consider the different countries’ local laws or regulations at the same time. Because different countries may have different standards of corruption and money laundering. In the code of conduct in Volvo, it announces that all representatives of the Volvo Group shall conduct their private and other external activities and financial interests in a manner that does not conflict or appear to conflict with the interests of the Group. This is seemingly forced in order to ensure that the code of conduct can be acted by suppliers. It also proves that the code of conduct state the qualifications of the supplier (Henrik Lindholm. 2009). As suppliers of Volvo they have to follow the code of conduct. But on the other hand, Volvo required the suppliers to comply with their

international principles without considering local conditions, such as local laws, barriers and challenges; it can be seen as not flexible enough.

4. The fourth principle states that “*Volvo Group’s property and resources shall be used for business objectives. The property and resources shall not be used for personal gain, fraudulent purposes, or in any other inappropriate manner.*” (Volvo code of conduct, 2012 pg.3) this is an international fundamental principle as well, but it relates to classical viewpoint (Quazi et al, 2000) and mainly about economic and legal responsibility (Carroll, 1979). The tax authorities require suppliers and Volvo Group to comply with tax laws and regulations in each country. Where tax laws do not give clear guidance, prudence and transparency shall be the guiding principles. This requirement emphasizes both local and global CSR standards, be transparency and prudence can be seen as a general guidance all over the world, while they also ask to comply local laws, which have the trend to focus on local elements.

The code of conduct also asks their suppliers’ products meet “*all applicable regulatory requirements.*” (Volvo code of conduct, 2012 pg.3) This comes from the views of economic responsibility and legal responsibility (Carroll, 1979) and with a classical viewpoint (Quazi et al, 2000). It is an international general requirement and should not be affected by local challenges.

The code of conduct of Volvo Group asks suppliers to “*present its products and services accurately and they shall comply with applicable regulatory and legal requirements. The suppliers should not make false statements or provide misleading information regarding its products or their performance, including the safety and environmental attributes of the products.*” (Volvo code of conduct, 2012 pg.3) It is a global principle for business while it relates more to the Classical viewpoint and Socio-economic viewpoint (Quazi et al, 2000), and belongs to economic and legal responsibility (Carroll, 1979).

To sum up, the business principles are principles about running business well, so they relate more to economic responsibility. In the view of improving CSR, it mainly focuses on legal responsibility and some are about ethical responsibility. Since it is more about business, it cannot require some rules without considering business benefits, so their business principles in code of conduct come more from classical viewpoint and socio-economic viewpoint. Most of these principles are global CSR standards but also have some trend of responding local elements, like Husted and Allen (2006) said that company need response to both global issues and local issues.

### **5.1.3 Principles of human rights and social justice**

The code of conduct emphasized human rights, this proves what mentioned above in the theoretical framework that code of conduct always include some specific parts that relates to human rights and working conditions (Jenny Helge, Therese Lein Thylin and Jenny Lööf, 2005). It is an international agreement but without any more actual content. For instance there are a lot of barriers or negative influences about protecting human rights. However in this code of conduct, it seems they did not consider it very well. It is the same situation for the non-discrimination, child labor and forced labor issue. Volvo claims that child labor and forced labor are not supported or tolerated, and discrimination could not happen with their suppliers. However there are still a lot of local conditions which is not considered enough.

The requirements of the work environment, working hours and compensation are based on global agreements. For the freedom of association, Volvo hold the idea that they support freedom of association, however they still do not have a lot of consideration for the different countries' barriers. It sounds more like an attitude only rather than guidance. Because code of conduct can be explained as a guide of how the company should run their business with the society and environment in consideration (Gullander, Johansson & Svensson, 2012). It is not enough to only provide the attitude and direction. The global principles should inform suppliers on how to deal with the issues in their specific business environment. For the local part, the code of conduct mainly focuses on legal responsibility, but not any more improvement. These requirements are more about ethical responsibility even discretionary responsibility with the modern viewpoint.

### **5.1.4 Environmental principle**

There are two parts in this principle, resource efficiency and precautionary principle, *“the suppliers' products and processes shall be designed in such a way that energy, natural resources and raw materials are used efficiently, and waste and residual products are minimized. They also need to avoid materials and methods posing environmental and health risks when suitable alternatives are available.”* (Volvo code of conduct, 2012 p3) Such requirements based on products and processes, but with the thrifty and efficient claims. These requirements are typical for the modern viewpoint and socio-economic viewpoint (Quazi et al, 2000). They belong to ethical responsibility or even discretionary responsibility (Carroll, 1979). However they have the same problem as previous principles, that is to be efficient and thrifty can be an international standard but should also consider the local conditions.

## 5.2 Analyzing of barriers

### 5.2.1 CSR-related barriers: Cognitive differences

The analysis will use the multi-barriers model in the theoretical framework. The first barrier is different cognitive degree of CSR between the company and its suppliers. This appeared in the case of Volvo and its Chinese supplier. From the view of Volvo managers or their code of conduct, in general, it concerns the broad field of CSR. When looking at Carroll's (1979) overall social responsibility model it is clear that Volvo's code of conduct concerns all four responsibilities. For instance, Volvo asks suppliers to comply with the local laws and regulations which are obtained from the perspective of legal responsibility. In their business principles in the code of conduct (2012) they also have some requirements that are related to economic responsibility because business principles consider the business benefit. Maria Franksen, the supply chain director in Volvo Powertrain Production specified in the face to face interview said that "*We strongly believe that Volvo as a global company has responsibility to promote sustainable growth and through our own code of conduct we can make an improvement to the society.*" This statement proves that Volvo also has the view about discretionary responsibility as well.

The theory from Quazi et al (2000) is regarded in Volvo's code of conduct. Volvo holds the opinions from the classical viewpoint in their code of conduct, For example, the fact that they ask their suppliers to ensure quality and safety of production. The most popular viewpoints in their supplier requirements and code of conduct are the socio-economic viewpoint. However in some cases they mentioned some things that belong to the modern viewpoint such as their principles of human rights and social justice. Summing up from the interviews with managers in Volvo and their code of conduct, it is clear that Volvo's view of CSR is based on the socio-economic viewpoint and legal responsibility, though they also have a higher cognitive degree of modern viewpoints or ethical and discretionary responsibility.

The interview of the Chinese supplier Shenzhen Genor Power Equipment Co., Ltd can show the cognitive degree of the supplier. Supplier's answer shows that suppliers may not clearly understand the relevant knowledge or code of conduct at all time. From the theory from Carroll (1979), the supplier cares more about the economic responsibility, or in another word, the financial benefit first. They always act the legal responsibility without any problem. In the two-dimensional model of CSR (2000), Suppliers' actions in the corporate social responsibility are relatively few, sometimes just asking to be legitimate. Obviously the supplier has a classic view or socio-economic point of view, their sense of social responsibility is narrow.

Chinese suppliers stressed that their main mission is to provide quality products to the Volvo Group. This means that the majority of suppliers plan to adopt in establishing long-term business relationship, which is dependent on providing quality products to obtain long-term profits, but there is nothing going on through the long-term implementation of the code of conduct to achieve through sustainable development. In other words, their main goal was just a business transaction, in their mind; there is no real importance of corporate social responsibility. Maximizing the benefits is still the main purpose of Chinese suppliers. This kind of thinking belongs to classical viewpoint and it considers more about economic responsibility. This also proves what Quazi & Brien (2006) pointed out which was that in developing countries most of the enterprises are now using classic and socio-economic viewpoints. Their implementation of the corporate social responsibility is mainly focused on economic and legal responsibility. They see corporate social responsibility like Western view as something that could increase their costs and risks of cooperation. The situation is also in line with what Xu erming and Zheng Ping (2006) said that enterprises in developing countries have a one-sided understanding of CSR, which is the lack of overall understanding of the whole perspectives and Chinese people know differ from international standards for CSR. And it proved what Ahmed et al. (2003) showed again, that Chinese businessmen may not know clearly the benefits and risks with CSR and Blowfield & Frynas, (2005) stated that CSR can be understood and interpreted differently by people in different countries.

The code of conduct from Volvo asked the supplier to act both low and high levels of CSR. In response, Supplier only strives to practice basic level of corporate social responsibility. There are no long-term plans or detailed activity shown from suppliers which indicated that they want to improve their CSR. There is a cognitive difference between Volvo and its Chinese supplier, and it can block Volvo's code of conduct of normal sharing. The appearing of cognitive differences, the reason is very complex. It is under the combined action of both the subjective and objective conditions. A company's own conditions and its environment form its understanding of CSR, different conditions and environment makes Volvo and its supplier in China have cognitive differences. Volvo's code of conduct and requirements are basically global CSR standards, the response to local CSR requirements and situations is not enough, not as Husted and Allen (2006) said that company need to care both global issues and local issues. Considering existing cognitive differences, such that sharing of code of conduct with Chinese suppliers is more difficult.

### **5.2.2 Organization-related barriers**

The organization-related barrier includes poor communications and inadequate top management leadership. The situation about communication can be seen from the interviews of Volvo managers and their supplier. Volvo always forces suppliers to perform their code of conduct, basically supplier accepted it by the way of self-learning.

In addition, their communication after cooperation depended on reports which supplier needs to provide to Volvo every year.

Maria stated that suppliers have obligation to report if any rules are broken this has to be admitted by the suppliers in order to engage in cooperation with Volvo. Communication between them is characterized to mainly rely on the consciousness of suppliers. However, the results of the survey also show the result of such communication. Suppliers did not fully recognize that the code of conduct can give certain benefits, but by having it enforced on them will give them the opportunity to see the benefits of code of conduct and it will develop them as a good company. The improvement regarding the suppliers' view of CSR is not that evident in this case and therefore it is necessary to improve the communication. Moreover, the reasons for poor communication here is not only like Frida (2011) stated that some companies may perceive it as hard to communicate with suppliers in developing countries because they have a different understanding of CSR. The main reason here is quite simple, Volvo Group and their suppliers have a low degree of communication.

Maria also mentioned that it is important to give suppliers the understanding and also the knowledge on how they can comply with the code of conduct. This also indicates that Volvo is prepared for active communication with suppliers which is necessary. While through the Volvo supplier requirements in their sustainable report (2012), it provided Volvo does attach importance to communication, they ask suppliers to have dialogue with them, and they have intention to improve communication, while can it be verified by the results of the interviews, that Volvo did not well enough at this aspect.

Volvo's sustainable report (2013) stated that Volvo consider CSR and code of conduct as important parts of their business. Their website also showed a lot of management activities about CSR. While through the interview of its supplier, Shenzhen Genor Power Equipment Co., Ltd, it is obviously that they do not have adequate management leadership about acting code of conduct or CSR. The activities of management in supplier reflected they were lacking of understanding of CSR and had inadequate attention. This lack of coordination in the management and unequal situation is bound to affect the acting of code of conduct by the supplier. The reasons for this situation are basically as same as them in cognitive differences, the reasons are complex. But no matter how, reality shows, organizational barrier exists in this case.

### **5.2.3 Supply chain-related barriers**

Li Jiaqing (2010) provided five items of supply chain-related barriers in his article. They are the following: 1. Sharing system is not perfect. 2, low degree of trust. 3. Cost-benefit asymmetry. 4. Shared abilities are different. 5. Lacking of effective incentives. Some parts

of these Supply chain-related barriers have been shown to exist between Volvo and their Chinese suppliers.

### *5.2.3.1 Barriers*

The sharing system of code of conduct between Volvo and its Chinese supplier is mostly based on the self-learning from the supplier. Oehmen et al (2010) stated that a successful implementation of code of conduct could be achieved by using training and education so the suppliers can see the long term benefits of having a code of conduct. In other words, a changing mindset of the suppliers has to be achieved. From the empirical finding, there is no evidence which shows that Volvo have effective training and education for their suppliers. Therefore, the sharing system of code of conduct between Volvo and its Chinese suppliers is not flawless.

The interviews of Volvo managers show that their sharing system of code of conduct can be improved. They required suppliers to implement codes of conduct even with unclear understanding of the various parts of the local environment. The consequence is that supplier act the code of conduct without knowing the benefit and necessity of it. At the same time, Volvo knows that by requiring suppliers to implement codes of conduct, they can get benefits such as reputation from it. Although indeed the supplier can also get short or long term benefit from acting Volvo's code of conduct, however as it is mentioned above, the supplier in China still hold the classical and socio-economic viewpoints about the acting of code of conduct. The suppliers care about intuitive economic benefits.

As the interviews show, different understanding and attitude of code of conduct, different environment and markets cause different sharing abilities. Mr. Li admitted they thought the code of conduct from Volvo is not suitable for them. They have different abilities to share the code of conduct. Comparing the two statements, Maria believed the whole idea is that sharing code of conduct should be beneficial for both parties so that is a reward in itself. While Mr. Li who stands for the supplier thought there is not any reward for them except the fact that they have cooperation with Volvo. The supplier implements codes of conduct for long-term cooperation with Volvo in order to get more profit. The situation here is just like Xie et al, (2012) stated that many Chinese enterprises adopt codes of conduct or some other concept of corporate social responsibility because they have no choice if they still want to cooperate with their buyers. The supplier does not really have a subjective anticipation to achieve sustainable development. So both the cost-benefit asymmetry and different shared abilities existed.

### *5.2.3.2 Degree of trust*

Volvo required having a dialogue with suppliers. This can be seen as a way of building trust. Volvo has the awareness to build trust because as Bencsik & Kocsis, (2012) stated that trust can be seen as the base of knowledge sharing and without trust the knowledge sharing is just an illusion, and showing the public and their business partners that the company does attach importance to their values in their code of conduct, it can help the suppliers to trust the knowledge also (Blowfield, M. & Murray , 2011). The interviews' result showed that Volvo's trust for its suppliers runs throughout the entire process of sharing code of conduct. Volvo depends on long-term cooperation with suppliers to build the trust as Maria said. Levin et al. (2003) pointed out that building trust should be based on three points: common language, common vision and that the provider demonstrates discretion.

#### *5.1.3.2.1 Common language*

Maria stated that the common language is English. While the interview result from Chinese supplier displayed that they can use both English and Chinese. The terms that are used are the terms that Volvo normally uses and therefore the supplier is required to learn these terms. No barrier can be identified concerning the language for communication.

#### *5.1.3.2.2 Common vision*

The common vision can be compared first from the public announced vision from both sides. Volvo introduced their vision on their sustainable report (2012) as the Volvo Group's vision is to become the world leader in sustainable transport solutions by some relevant behaviors. The supplier that was studied in this thesis Shenzhen Genor Power Equipment Co., Ltd stated that their vision is providing the most satisfactory products and services for clients. The overall social responsibility model provided by Carroll (1979) and two-dimensional model of CSR (Quazi et al, 2000) was used to analyze the common vision. Volvo's public vision is caring about ethical responsibility with modern viewpoint, but the supplier's vision is still based on classical viewpoint or at most socio-economic viewpoint and they care more about economic and legal responsibility. The visions are not in the same level. Moreover, from the interview of Maria, it showed that Volvo thinks it is not necessary to have common vision with suppliers since Volvo are the buyers they set the rules. So they just want to ensure that their core values to be respected by suppliers. The suppliers can have other visions but their aim is to have a beneficial cooperation for both parties. Volvo has no intention to establish common vision and they believed this was not necessary. The result from interview of supplier in China showed two points. Although the supplier has different vision from Volvo, they respect this and would like to follow Volvo's vision. Another point is that the supplier has the willingness

to improve their vision by cooperation with Volvo about CSR. Although Volvo and their supplier have different visions it is still possible to have a good cooperation.

#### *5.1.3.2.3 Discretion*

Discretion means freedom to adjust or act to the code of conduct according to the different local specific situation. According to previous analysis Volvo's code of conduct or supplier requirements proposed essentially global CSR standards and general rules. Since Bryan W. Husted and David B. Allen (2006) analyzed, in some case, corporate social responsibilities and stakeholder demands require MNEs to respond to both global issues and local issues. Therefore, it is necessary to let suppliers make minor adjustment regarding the acting of code of conduct according to their local challenges. However the interviews also showed that the supplier has to act the code of conduct according to the lowest level of CSR requirements provided by Volvo which they have to follow, and they have no right to adjust it. Maria also said that the fundamental rules have to be followed, though they can also make some minor adjustments for instance regarding the environment issues with transportation. So there are some adaptations that can be made. The freedom, at least the supplier thought, it is still not enough.

In conclusion, between Volvo and the Chinese supplier, they have common language basically for communication, but they did not have same visions and the supplier have little right to adjust the acting of code of conduct, and what and how to adjust is not clearly stated. It is hard to say if they have low degree of trust or not, the trust issue will be further analyzed later in this study.

#### **5.2.4 Environment-related barriers**

According to the interview from Martin, there is a barrier of political system or governance gap. In China it is forbidden to have free labor unions however Volvo has a rule about freedom of association. Mr. Li stated that there is a problem with cultural tradition as well since Chinese people does not have a sound business sense regarding CSR or code of conduct. Therefore they will have difficulties understanding the code of conduct and requirements. People generally have seen the Volvo's code of conduct as a command to execute. In some cases factories would like to maximize their benefits and this leads to a demand of overtime workers. The overtime hours will be more than the time stipulated by law, However there are in fact a lot of workers that are willing to work overtime since they care more about the economic rewards rather than their physical health.

The worst situation is the phenomenon of false reporting and false on-site inspection made by the local managers and the workers together. The supplier mentioned the political system or governance gap as well, for instance Mr. Li said that the biggest

problem in China is that it is impossible to have any workers' organizations or unions, the Chinese government often made some intervention on their business. The Chinese government pays more attention to the GDP instead of CSR. So there are some objective barriers about cultural tradition, political system and governance gaps in China. It is clear the environmental barriers exist.

### **5.2.5 How barriers influence sharing of code of conduct**

The analysis shows that multiple barriers exist between Volvo and their suppliers. These barriers influence each other through joint action and they are mutually generated. Together they have a large effect on the sharing of code of conduct between Volvo and their Chinese suppliers.

Cognitive differences can be seen as a crucial barrier. Different understandings and requirements of CSR standards will result in different guideless regarding the acting of code of conduct. Hendriks, (1999) states that sharing activities implies a relationship between at least two parties, one of them possesses the source and the other one acquires as the recipient and it is crucial that the recipient trust the source of the knowledge so that the knowledge can be used instead of discarded. If the source and recipient do not have agreements about code of conduct, then the sharing are in a risk of failure.

The empirical finding can prove that, the supplier obviously cannot understand the code of conduct totally, so they just follow it without any own improvement of CSR. Because of the different understanding of code of conduct, the organization-related barriers appear. This leads to poor communication, because they cannot understand each other regarding the same code of conduct. The result from the interviews showed that the regular reports which are used now did not fundamentally help the supplier increase awareness about CSR. The existing communication between Volvo and suppliers required suppliers to report problem themselves which may result in inaccurate reports or reports that are too late. Sometimes there might be problems that the suppliers are not aware of or problems that they might not want to report. Inadequate top management leadership can also come from the same reasons, and it will lead to an incorrect use of the code of conduct.

Supply chain-related barriers embodied in the sharing system are not perfect, low degree of trust, cost-benefit asymmetry; shared abilities are different and lacking effective incentives. Sharing system is not perfect in reality since the sharing of the code of conduct rely mainly on self-learning by suppliers. There is a problem regarding whether the supplier has the ability to understand the requirements or not. If they cannot understand them, then they will not use the code of conduct in a correct way.

The objective environmental barriers come from the outside, it is almost impossible to eliminate, but it affects sharing of code of conduct from several aspects. This includes participation in causes of different perspectives regarding CSR, code of conduct and

manufacturing limitation of sharing. What Volvo and its suppliers can do is to try and fully understand these barriers and try to avoid them.

### **5.3 Trust and monitoring**

Trust played a very important role in sharing code of conduct between Volvo and its supplier in China. The public code of conduct showed that Volvo has strong willingness to build a long-term relationship with suppliers, and long-term cooperation means trust. Through the interviews of Volvo managers it is obvious that Volvo paid attention to build trust. This information can prove that trust can be seen as the base of knowledge sharing and without trust the knowledge sharing is just an illusion (Andrea Bencsik & Dora G. Kocsis, 2012). And Blowfield, M. & Murray (2011) stated that trust can be the most important resource in business relationships. The empirical finding indicated that trust is important in this case. It is in line with the theories in the theoretical framework which are the cooperation between the actors in the supply chain need a basis of trust in order for them to function properly (Hendriks, 1999). And trust is the central and important question in the modern discussion regarding the supply chain management (Potocan, 2002).

It is crucial that the recipient trust the source of the knowledge so that the acquired knowledge is used instead of discarded (Hendriks, 1999) or business partners have to trust each other (Morgan & Hunt 1994). Therefore it is important that both the sender and receiver of knowledge should have a mutual trust otherwise it is hard to have successful sharing activities (Aziz, Gleeson, Kashif, 2013). Maria said in the interview that trust between Volvo and its suppliers is built up by time there is not the same level of trust in a new cooperation as in an established one. The code of conduct is non-negotiable so the suppliers have to prove that they can follow the requirements. After suppliers proved that they can complete the requirements, the trust of sharing code of conduct seems to be built. Maria also strongly believed that the majority of the suppliers try their best to act the code of conduct.

Mr. Li said that since Volvo is an internationally renowned company they trust Volvo and Volvo's requirements must be reasonable. Their company, by providing quality products and working for a cooperative relationship should also be able to get Volvo's trust. Since the business partnership they have now with Volvo already reflected this trust. Looking at the trust about the code of conduct independently, Volvo trust supplier depends more on long-term cooperation or past experience without any bad experiences. The experience includes both the good behavior of acting code of conduct, safety and high quality production. The supplier's view of trust is based on Volvo's famous reputation and the business transaction regarding safety or high quality production. Their trust focuses more on financial business behavior instead of code of conduct. Suppliers know

that it is important to follow Volvo's code of conduct. However they do not clearly understand the benefits regarding the use of a code of conduct. Considering the theory which states that it is important that the recipient trust the source and believe that it is credible (Aziz, Gleeson, Kashif, 2013), therefore it can be said that purely for code of conduct the trust is not strong enough, especially in the supplier case. It is difficult to determine whether this kind of trust can avoid the barriers in the sharing of code of conduct or not.

According to van Weele et al. (2008) assessment and monitoring are important for a company to keep their control of the supply chain. Lindholm, (2009) even directly said that the code of conduct needs monitoring. So the monitoring is important and can be used to avoid some barriers. Martin mentioned in the interview that Volvo monitors suppliers regarding code of conduct issues use the same method all around the world so they do not have any particular method used in high risk areas such as China. This obviously does not meet the Andersen (2009) said high-risk areas that require high levels of supervision.

Normally Volvo use self-assessment methodology and they do not have many visits to suppliers to check the performance on sites. The supplier honestly said that, Volvo does not have a lot of monitoring behavior. Basically it relies on the supplier's self-regulation. Volvo at the beginning asked them to answer the questionnaire and promise to follow Volvo's code of conduct. Interviewee at Shenzhen Genor Power Equipment Co., Ltd admitted that they did not have a clear plan about how to monitor their situation regarding code of conduct. They tried to ensure that everything is legal, and nothing happened regarding the quality of production.

According to overview of typical code implementation process (Corporate Social Responsibility in Global Value Chains, 2012) it is obvious that the execution of monitoring of suppliers in Volvo has not been done very thorough. Volvo is not able to effectively monitor supplier. This may lead to failure in the implementation of code of conduct. Monitoring can also improve the suppliers' knowledge about how and what to do according to the code of conduct and to ensure the implementation can be acted in the correct way. The conclusion is that monitoring between Volvo and the supplier did not fulfill the role that it is intended for. Volvo does not have a complete process of monitoring.

Volvo seems to partly use the long-term trust to replace the whole monitoring process; Martin admitted that Volvo is more dependent on long-term relationships with suppliers because of some technical reasons for the high level of production. This means that the monitoring will be more dependent on self-monitoring through a vendor, a few on-site monitoring, re-examination and corrective action plan will be executed. There is a point of contention which is whether using long-term relationships instead of using active monitoring are reliable or not. As Wayne Visser (2007) stated, some environmental

barriers which can hinder suppliers to act the code of conduct. The long term cooperative relationship must be based on an understanding of each other. If Volvo knows the reasons for problems in China such as Chinese cultural tradition problems, then Volvo can strengthen the monitoring regarding some cultural issues for Chinese suppliers. And long-term trust in the political cannot solve the problem of political system and governance gaps. For example, corruption is a serious problem in China or Chinese government does not attach great importance to the development of CSR. These problems Volvo and their suppliers must deal with it. And that is beyond the scope of the ability of long-term relationships between Volvo and its Chinese suppliers.

Therefore, the long-term trust can partly replace some functions of the monitoring however it cannot solve or avoid the barriers completely. It does not guarantee a better performance concerning code of conduct by suppliers. In some cases, Volvo has to monitor and ask obligatorily their suppliers about their use of the code of conduct. Under the theories of Carroll's social responsibility model (1979) and two-dimensional model (2000) of CSR, Volvo should help their suppliers to get more ethical responsibility and even discretionary responsibility rather than simply focusing on economic or legal responsibility. At the same time, Volvo needs to promote suppliers' viewpoints to a modern view or a charitable view of corporate social responsibility. Or Volvo should try to change mindset of supplier which means understanding that compliance with the requirements of the code of conduct is good for the suppliers in different aspects (Mohamad Zakaria, Zanda Garanca, Abdallah Sobeih, 2012). While suppliers are not within range which Volvo can control directly. It is not easy to broaden the suppliers' sense of CSR and therefore it is necessary to implement a more effective monitoring.

## 6 CONCLUSION

This study was aimed at identifying the barriers for sharing of code of conduct among suppliers; it was also aimed at investigating how these barriers affected the sharing, implementation and monitoring of code of conduct. The research has shown evidence of several barriers and an analysis has been made to show the effect of these barriers. The analysis gave additional information and evidence of problems that can arise with these barriers. Therefore it is crucial for companies to deal with the barriers in an appropriate way.

There are four kinds of barriers that have been analyzed and these are: CSR related, Supply-chain related, Organization related, and Environment related barriers.

The CSR related barrier cognitive differences have been proved to be existent in the case of Volvo and their Chinese suppliers. Volvo has a different understanding of CSR compared to their supplier's understanding of CSR. The understanding of CSR by Volvo is on a high level and therefore they often set high requirements on their suppliers concerning CSR, while the suppliers have a basic level of understanding concerning CSR and this result in a cognitive difference. However the supplier has to follow the requirements set by Volvo even though they don't agree with them, this is because Volvo has a lot of power as a buyer and could change suppliers if they don't comply with the requirements. This can be negative from a CSR perspective since the suppliers will only follow the minimum requirements and thus not develop their own CSR understanding or enhance their CSR activities. This will have a negative effect on sharing, implementation and monitoring. The sharing will be affected since it is harder to share knowledge about something that is not understood in the same way by the recipient as the source. The implementation will be affected since the suppliers don't have the same understanding of the necessary requirements and can therefore make faulty implementations or only implement the minimum requirements. The monitoring can also be affected due to the fact that there will be a constant demand for monitoring since there is always a risk of breaches to the code of conduct when it's not understood by the suppliers.

There is evidence showing existence of organizational related barriers. Volvo expects the suppliers to follow the code of conduct and engage in it through self-learning. However this barrier is handled better since Volvo understands that they sometimes have to educate the suppliers and give them understanding of the code of conduct. Volvo also strives for long-term relationships with their suppliers that are beneficial for both parties. They also have a good communication with their suppliers on a daily basis. There can often be an organizational barrier due to lack of understanding of the code of conduct among the suppliers managers. This has to be handled by Volvo by giving the suppliers a better understanding and more knowledge of the code of conduct through better communication. In order for the parties to have a successful sharing, implementation

and monitoring of the code of conduct there is a need for Volvo to educate the suppliers regarding the code of conduct. This can lead to a better understanding of the code of conduct for the suppliers and it can reduce the effect of other barriers such as the cognitive difference barrier.

Some parts of the supply-chain barriers have been proved to be existent in this case. Since Volvo asks suppliers to study their code of conduct by self-learning and evaluate it by self-assessment, so the sharing system can be thought as imperfect. And Volvo has a common language with their suppliers and they mainly use English, they also mainly use the terms and specific words that Volvo has always used and therefore it is crucial that the suppliers learn and use these terms as well. There is not a common vision but this is not considered to be a large issue as long as they respect each other's visions and strive towards some common goals. There is a trust issue and Volvo trust there long term suppliers very much even though this might include a risk for them. The trust issue is usually apparent in new relationships that have not been given enough time to build trust. So even though the trust about code of conduct is not high, while the evidence showed that it did not bother the sharing code of conduct seriously. Different degree of understanding about the same code of conduct makes the suppliers cannot recognize the potential long-term benefit; therefore, they may feel there is cost-benefit asymmetry in the process of sharing code of conduct. Similarly, it is obvious that Volvo and its Chinese supplier have different abilities about sharing code of conduct. Moreover, Volvo did not provide any intuitive motivation measures to encourage suppliers to follow their code of conduct, so in this case it is lacking effective incentives.

There are some environmental related barriers as well such as Chinese tradition or culture, political system and governance gap. This is because the Chinese government doesn't have the same priority towards CSR as Volvo has in their code of conduct, therefore it creates a barrier. This is an issue for the implementation of the code of conduct and it is complicated to deal with since it might be caused by higher regulations and national laws. However nothing stops the supplier from caring more about CSR than the Chinese government does and therefore they can still be able to implement the code of conduct in a good way.

The trust is crucial for the sharing, implementation and monitoring of the code of conduct. Only for code of conduct itself, there is a common language which is important when sharing the code of conduct. However there is not a common vision which can be negative for the implementation and use of the code of conduct, if the company and supplier would strive for some common goals regarding CSR for example then it would result in better outcomes for all parties. Trust in this case is different from different views. Volvo trusts that supplier in China can provide good products and act the code of conduct well; because they know the acting code of conduct can also benefit the supplier. But supplier in China trusts the reputation of Volvo more. They know that the code of

conduct have to be followed. Actually, considering code of conduct only, Volvo and the Chinese supplier did not trust the same thing. Moreover the trust issue cannot replace the monitoring of code of conduct, since Volvo has the trend to depend more on long-term trust instead of monitoring. While trust cannot solve the whole barriers and it can even be negative for the monitoring since the suppliers can deceive the buyers if Volvo believes trust is enough, it can also be an issue if only one party trust the other party.

This study has shown various effects that these barriers have on the sharing of code of conduct. There is clear evidence that these barriers exist which have been shown with the help of theories from previous studies and also with the gathered empirical findings. This has also been shown with the own developed multi-barriers model. This model can be used for identifying the barriers which is the first stage for companies to effectively deal with these barriers. In addition, through this study it can be clearly found that both trust and monitoring are necessary. The long-term trust is needed to establish a good communication, at the same time the complete monitoring program also needs to be implemented especially in high risk countries.

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## **8 APPENDIXES**

### **8.1 Appendix 1**

#### **Interview questions for Volvo**

##### **Interview**

Present our thesis and explain what we want to gain from the interview. Mention in the beginning that when we talk about suppliers we want to focus on Chinese suppliers at first if possible.

##### **Opening questions:**

Can you tell us shortly about yourself and your role here at Volvo?

Where are your main suppliers located?

Why did you choose to have your main suppliers in this country?

Have you noticed any general problems with having your suppliers in this country?

How is your relation to the suppliers?

##### **Main questions:**

How does Volvo engage in Corporate Social Responsibility (CSR)?

Can you explain how Volvo uses code of conduct?

What are your own thoughts about CSR and code of conduct?

What is the purpose of your code of conduct?

Could you explain how code of conduct is shared to your suppliers? , What requirements do they have to follow, etc.? (Focus on Chinese suppliers if possible)

What are potential problems or barriers that can hinder the sharing and implementation of the code of conduct? (Focus on Chinese suppliers if possible)

How is the relationship between Volvo and its suppliers? , is there a high or low level of trust? (Focus on Chinese suppliers if possible)

Is there any trust problems involved when transferring code of conduct?

Do you have a common language with your suppliers? , Or any barriers about common language? (Focus on Chinese suppliers if possible and explain what we mean with common language if needed)

Do you have common vision with your suppliers? , Or any barriers about common vision? (Focus on Chinese suppliers if possible and explain what we mean with common vision if needed)

Do the suppliers have the freedom to act to the code of conduct according to their specific situation? , so is it possible for the code of conduct to be adapted to a specific situation for a specific supplier?

How can you monitor your suppliers when it comes to implementing your code of conduct? , Or how do you ensure that your code of conduct is followed? For ex: Through audits, controls, etc.

What are the possible environmental barriers when sharing code of conduct with suppliers?

For example:

What are the challenges from culture/tradition you are facing in China?

What are the challenges from political system you are facing in China?

What are the challenges from Socio-economic part you are facing in China?

How often do you have communication with your suppliers about code of conduct? , And in what ways is this communication done?

How can you detect suppliers' breaches of code of conduct in time? , Do you have any specific method?

Do you have time-lag between your demands for changes and realization of suppliers in China? If yes, how can you deal with it?

Do you think your suppliers have always given you honest answers about their use of the code of conduct?

### **Concluding questions**

What barriers do you think have the most serious consequences to the sharing of code of conduct?

Is there any other barriers or problems that can occur when sharing code of conduct that hasn't been mentioned before?

How does Volvo deal with the barriers discussed earlier? Such as trust, environmental, common language, common vision, etc.

Is there something that you would like to add concerning the topics code of conduct and barriers to code of conduct?

## **8.2 Appendix 2**

### **Interview questions for Chinese supplier**

## **Interview**

Present our thesis and explain what we want to gain from the interview. Mention in the beginning that when we talk about suppliers we want to focus on CSR and code of conduct from Volvo and their relationship or monitoring issue.

### **Opening questions:**

Can you tell us shortly about yourself and your company?

What is your connection to Volvo?

### **Main questions:**

What do you think about Corporate Social Responsibility (CSR)? As well as your own CSR value?

Can you explain how you feel about Volvo's code of conduct?

How do these requirements and code of conduct influence your business?

Could you explain how code of conduct is shared to you from Volvo?

How can you receive the code of conduct?

What are potential problems or barriers that can hinder the implementation of the code of conduct in China?

How is the relationship between you and Volvo? , is there a high or low level of trust? And how do you build your trust?

Is there any trust problems involved when transferring code of conduct?

Do you have a common language with Volvo about code of conduct? , Or any barriers about common language?

Do you have common vision with Volvo about code of conduct? , Or any barriers about common vision?

Do you have the freedom to act to the code of conduct according to your specific situation? , so is it possible for the code of conduct to be adapted to a specific situation for you?

How can Volvo monitor you when it comes to implementing your code of conduct?

If you do not act your code of conduct very well or have some problems, does Volvo has any methods or punishment to deal with it?

Does Volvo have any rewards for you, if you act the code of conduct well? or do you have any Incentive to accept and act their code of conduct?

How do you manage yourselves about acting code of conduct?

What are the possible special environmental barriers about acting code of conduct in China?

For example:

What are the challenges from culture/tradition you are facing in China?

What are the challenges from political system you are facing in China?

How often do you have communication with Volvo about code of conduct? , And in what ways is this communication done?

### **Concluding questions**

What barriers do you think have the most serious consequences to the acting of code of conduct?

Is there any other barriers or problems that can occur when sharing code of conduct that hasn't been mentioned before?

Is there something that you would like to add concerning the topics code of conduct and barriers to code of conduct?

## **8.3 Appendix 3**

### **Volvo's requirements**

The requirements for supplier in Volvo's CSR sustainable report:

- Comply with the laws and regulations of the countries of operation:
- Suppliers are responsible for deploying their requirements on their suppliers:
- Maintain an open dialogue with the Volvo Group companies---Concerning
- Systematize compliance with the Volvo Group's code of conduct
- Appoint a senior executive who is responsible for compliance with the United

## **8.4 Appendix 4**

Code of Conduct

Volvo Group

### **CODE OF CONDUCT POLICY**

The Volvo Group enjoys an invaluable reputation for corporate trustworthiness around the world, based on consistently conducting business with integrity and in compliance with the laws and regulations governing its activities. Success in business depends on building and maintaining the trust of customers, shareholders, employees, governments and the general public.

## **GENERAL PRINCIPLES**

The Volvo Group shall:

k comply with the laws and regulations of each country in which it operates

k demonstrate and promote its commitment to responsible business practice in policies, decisions and activities

k integrate the principles of this policy into critical processes.

## **REQUIREMENTS ON BUSINESS PARTNERS**

The Volvo Group prefers to work with component suppliers, consultants, distributors and other business partners that share the principles expressed in this Code of Conduct.

The Volvo Group encourages its business partners to apply standards of business conduct consistent with the principles of this Code of Conduct.

Business principles

## **ACCOUNTING AND REPORTING**

All financial transactions shall be reported in accordance with generally accepted accounting practices, and the accounting records must show the nature of all transactions in a correct and non-misleading manner.

The Volvo Group shall report in a transparent, truthful and timely manner with the aim of conveying a true view of the Volvo Group's performance.

## **ANTI-CORRUPTION**

The Volvo Group shall not participate in or endorse any corrupt practices.

Representatives of the Volvo Group shall not offer customers, potential customers, suppliers, consultants, governments, agencies of governments, or any representative of such entities, any rewards or benefits in violation of applicable laws or established business practices stricter than applicable laws, in order to obtain or retain business or to gain any other improper advantage.

Volvo Group employees shall not accept payments, gifts or other kinds of reimbursement from a third party that could affect or appear to affect their objectivity in their business decisions.

### **MONEY LAUNDERING**

The Volvo Group shall not accept, facilitate or support money laundering.

### **CONFLICTS OF INTEREST**

All representatives of the Volvo Group shall conduct their private and other external activities and financial interests in a manner that does not conflict or appear to conflict with the interests of the Group.

Employees' private interests shall not influence, or appear to influence, their judgement or actions in performing their duties as representatives of the Group.

### **COMPANY PROPERTY AND RESOURCES**

The Volvo Group's property and resources shall be used for business objectives.

The property and resources shall not be used for personal gain, fraudulent purposes, or in any other inappropriate manner.

### **TAXATION**

The Volvo Group shall comply with the tax laws and regulations of each country in which it operates. Where tax laws do not give clear guidance, prudence and transparency shall be the guiding principles.

### **CUSTOMER OFFERING**

The Volvo Group shall ensure that its products meet all applicable regulatory requirements.

The Volvo Group shall design its products with a focus on our core values of quality, safety and environmental care.

### **MARKETING AND SALES**

The Volvo Group shall present its products and services accurately and shall comply with applicable regulatory and legal requirements.

The Volvo Group shall not make false statements or provide misleading information regarding its products or their performance, including the safety and environmental attributes of the products.

### **FAIR COMPETITION PRACTICES**

The Volvo Group shall compete in a fair manner and with integrity.

The Volvo Group shall not exchange information or enter into agreements or understandings with competitors, customers or suppliers in a way that improperly influences the market place or the outcome of a bidding process.

The Volvo Group shall use legitimate methods to gather information about our competitors.

### **INSIDER TRADING**

Volvo Group employees who have access to non-public information that may affect the Volvo share price are not allowed to buy or sell Volvo shares or any other financial instruments that relate to the Volvo share, such as futures or options. In addition, he or she may not induce anyone else, by giving advice or in some other manner, to undertake such trading.

### **POLITICAL INVOLVEMENT**

The Volvo Group shall observe neutrality with regard to political parties and candidates for public office. Neither the names nor the assets of Volvo Group companies shall be used to promote the interests of political parties or candidates for public office.

Principles of human rights and social justice

### **HUMAN RIGHTS**

The Volvo Group shall support and respect the protection of internationally proclaimed human rights and make sure the Group is not complicit in human rights abuses.

### **NON-DISCRIMINATION**

All employees shall have equal opportunities based on competencies, experience and performance regardless of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background or ethnic origin.

All employees shall be treated with respect. Discrimination, physical or verbal harassment, or any illegal threats are not tolerated.

### **WORKPLACE PRACTICE**

The necessary conditions for a safe and healthy work environment shall be provided for all Volvo Group employees.

### **FORCED LABOUR**

The Volvo Group shall not engage in or support forced, bonded or compulsory labour, nor shall the Volvo Group require any form of deposit or confiscate identification papers from employees.

Employees are free to leave their employment after reasonable notice as required by law and contract.

### **CHILD LABOUR**

Child labour is not tolerated. The minimum employment age is the age of completion of compulsory school, but never less than 15 years.

### **CODE OF CONDUCT POLICY**

## **FREEDOM OF ASSOCIATION**

The Volvo Group respects the right of all employees to join an association to represent their interests as employees, to organize and to bargain collectively or individually. The Volvo Group shall respect the recognized unions. An employee's right to refrain from joining a union is equally respected.

The Volvo Group shall notify employees' representatives and relevant government authorities, of major changes in our operations as required by law.

## **WORKING HOURS AND COMPENSATION**

The Volvo Group shall comply with applicable laws, agreements and industry standards on working hours and compensation.

Environmental principles

## **RESOURCE EFFICIENCY**

The Volvo Group products and processes shall be designed in such a way that energy, natural resources and raw materials are used efficiently, and waste and residual products are minimized.

## **PRECAUTIONARY PRINCIPLE**

The Volvo Group shall avoid materials and methods posing environmental and health risks when suitable alternatives are available.

Particular emphasis shall be put on evaluating the potential risks of present and future substances and operations in order to minimize the negative impact on the environment.

## **Responsibility for compliance**

It is the responsibility of the Volvo Group managers to implement this policy and inform their employees of their rights, duties and responsibilities as well as demonstrate the content and spirit of this document within their respective organization. It is the responsibility of all employees to comply with local law and the Volvo Group policies. Explicit or implicit approval of questionable actions that are in conflict with the Code of Conduct will not be tolerated and may result in disciplinary actions up to and including dismissal and legal proceedings.

## **Deviations**

Deviations from this policy may be approved only by AB Volvo's Board of Directors.

### **Language**

The original language of this document is English. If translated into other languages, the English version shall take precedence in case of disputes.

### **Periodic review**

The issuer of this document is responsible for ensuring that a review of the document is performed every year.

### **Report on violation of the Code of Conduct**

All employees within the Volvo Group are encouraged to report suspected violations of this Code of Conduct to their direct superiors or the managers of their superiors. In the event a report is not taken seriously, or if an employee does not feel comfortable reporting the matter to his or her superior, the employee should escalate the matter in accordance with the Whistle-blower Procedure.



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