



Sveriges lantbruksuniversitet
Swedish University of Agricultural Sciences

Department of Economics

Product assessment within ethical sourcing

- The case of Nordic Choice Hotels

Rasmus Finnström

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Rasmus Finnström

Supervisor: Cecilia Mark-Herbert, Swedish University of Agricultural Sciences,
Department of Economics

Karin Hakelius, Swedish University of Agricultural Sciences,
Department of Economics

Examiner: Carl Johan Lagerkvist, Swedish University of Agricultural Sciences,
Department of Economics

Credits: 30 hec

Level: A2E

Course title: Degree Project in Business Administration

Course code: EX0782

Programme/Education: Environmental Economics and Management - Master's
Programme

Faculty: Faculty of Natural Resources and Agricultural Sciences

Place of publication: Uppsala

Year of publication: 2015

Name of Series: Degree project/SLU, Department of Economics

No: 972

ISSN 1401-4084

Online publication: <http://stud.epsilon.slu.se>

Key words: ethical sourcing, responsibilities, supply chain sustainable development,
sustainability, procurement



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Acknowledgements

My sincere gratitude goes to Cathrine Dehli that gave me the opportunity to write my thesis for Nordic Choice Hotels. To Cecilia Mark-Herbert, thank you for all inspiration and endless support during this thesis process and continues passion for sustainable development. Additionally Karin Hakelius your linguistic support and structural comments have been very appreciated during the entire process.

Last but not least I would like to give a grateful thanks to my parents that have supported me and given me energy both through the tough and good times and making it possible to finalize this thesis.

Summary

After the turn of the twentieth century, sustainable development has been a well-discussed area between economists, environmentalists and politicians. Reports show that human activities have an essential impact on today's climate changes. Additionally, our way of living has a negative impact on other environmental conditions and human wellbeing. Business mindsets have changed perspectives over the years, concerning what is an acceptable way of running a business. Furthermore, stakeholders do put pressure on organizations to take more responsibility for their actions, both for their own actions but also actions that are connected to their business. Large outsourcing of production has in some cases resulted in low environmental standards and unethical behavior among suppliers of large and well-known corporations, which have mainly raised this concern. Ethical scouring has the aim to assess and improve social and environmental conditions within suppliers and to assess what procurement processes could be used in order to avoid doing business with firms involved in unethical behavior. This ethical sourcing assessment can be difficult for organizations within business-to-business procurements, because the businesses themselves are not part of the manufacturing or processing connected to the purchased product. Which often leads to a lack of insight of how products are produced.

The aim of this research is to explain conditions for ethical sourcing that can help to ensure good procurement processes when organizations purchase products. To reach this aim, theories within ethical sourcing and sustainable development has been used, from these theories a conceptual framework has also been developed which, have been used when the empirical data was analyzed and discussed, resulting in the empirical findings presented. The project includes a case study of Nordic Choice Hotels on how to assess fast moving consumer goods focusing on ethical sourcing. Considering the aim of this study, the research was conducted with an abductive approach, which is a combination of the inductive and deductive approaches. Furthermore, the empirical data was collected with multiple sources and semi-structured interviews with employees from the Nordic Choice Hotels. The hospitality business has potential in improving various aspects within the sustainable development area. Still hotels are perceived as a luxury service and that is what most guests expect. It can be difficult for hotels to focus on sustainable development aspects simultaneously as they are trying to fulfill guest demand of a luxury service.

The study shows that ethical sourcing is an essential part for businesses today and that there is no general framework how to perform ethical sourcing. Organizations need to find their own way to assess ethical sourcing within their business context. Ethical sourcing challenges increases when organizations are in a buyer situation and not included in the processes of manufacturing. The study also indicates that ethical sourcing is an important part for organizations to include if they want to conduct a good sustainable development performance. Still, ethical sourcing is just one part when focusing on sustainable development initiatives. There are various factors that need to be included in a holistic ethical sourcing initiative; both in-house activities, assessment of suppliers and products to avoid negative performances and prevent trade-offs between social, environmental and financial factors when performing business.

Sammanfattning

Efter millennieskiftet har begreppet hållbar utveckling blivit ett mycket diskuterat ämne bland bl.a. finansiärer, miljövetare och politiker. Rapporter visar att människors beteende och utnyttjande av resurser har en omfattande påverkan på dagens klimatförändringar. Dessutom har det visat sig att vårt sätt att leva också har negativ påverkan på andra miljöområden och även det mänskliga välbefinnandet. Under de senaste åren har inställningen hos företag ändrats och mer tyngd har lagts på vad som egentligen är ett acceptabelt sätt att bedriva företag på. Även har olika intressenter börjat sätta press på företag att vidta mer ansvarsfulla åtgärder för hållbar utveckling, både för sina egna handlingar men också för processer som är kopplade till deras leverantörer och producenter. Efterfrågan på sådant miljöansvar har växt i och med att mer produktion har flyttats till låginkomstländer. Detta har i vissa fall resulterat i dålig miljöstandard och oetiska förhållanden bland arbetare hos välkända företags leverantörer. Ethical sourcing har som mål att utvärdera och förbättra sociala och miljömässiga förhållanden hos leverantörer vilket kan hjälpa företag att undvika upphandlingar från företag som använder sig av oetiskt beteende inom sina verksamheter. Det kan vara svårt för företag att kontrollera sociala- och miljö-faktorer i sin upphandling när de själva inte är inblandade i produktionen. Det eftersom företagen då har svårt att få den överblick och insikt som behövs för att utvärdera om produkter är tillverkade och levererade på ett etiskt och miljömässigt acceptabelt sätt.

Syftet med denna uppsats är att förklara betingelser inom ethical sourcing som kan hjälpa att säkerställa bra beslut inom upphandlingsprocesserna för företag. För att nå detta syfte, har teorier och ramverk inom ethical sourcing, hållbar utveckling använts. Dessa teorier och ramverk har sedan använts i ett begreppsmässigt-ramverk som har använts när den empiriska informationen har analyserats och diskuterats. Uppsatsen inkluderar även en fallstudie av hotellkedjan Nordic Choice Hotels med syftet att utvärdera tvål- och schampoprodukter med sikte på ethical sourcing. Med hänsyn till studiens syfte har denna uppsats använt sig av en abduktiv forskningsmetod som är en kombination av induktive och deduktive metoderna. Den empiriska informationen har samlats in från flera olika källor och genom semi-strukturerade intervjuer med anställda vid Nordic Choice Hotels. Studien har visat att hotellbranschen har potential att förbättra många olika områden inom hållbar utveckling. Det visade sig också att hotell uppfattades som något lyxigt vilket kan innebära att det kan vara svårt för ett hotell att fokusera på frågor inom hållbar utveckling samtidigt som det försöker att tillgodose efterfrågan av en lyxig tjänst.

Studien visar att ethical sourcing är ett viktigt redskap som företag nu måste börja ta på allvar, men samtidigt finns det inget allmänt ramverk om hur ethical sourcing ska utföras. Organisationer måste skapa sina egna strategier för att utföra ethical sourcing inom deras affärsområden. Utmaningar inom ethical sourcing ökar när företagen agerar som köpare och inte är delaktiga i tillverkningsprocesserna av produkter. Resultatet av studien visar också att ethical sourcing är viktigt för företag som vill satsa mer på hållbar utveckling. Det visar sig att det finns flera olika faktorer som måste ingå i ethical sourcing om man vill arbeta med det i ett holistiskt perspektiv. Företag måste både fokusera på interna aktiviteter och att utvärdera leverantörer och produkter för att förhindra kompromisser mellan sociala, miljömässiga och ekonomiska faktorer inom företagets verksamhetsområden.

Abbreviations

B2B – Business to Business

B2C – Business to Consumer

CAFÉ – Coffee and Farmer Equity

CoC – Code of Conduct

ERP – European Recycling Platform

FMCG - Fast moving consumer goods

GPS – Global Sourcing Principles

M&S – Mark & Spencer

NCH – Nordic Choice Hotels

PPP – People, Planet & Profits

S&S – Soap and Shampoo

TBL – Triple bottom line

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1 Introduction

This chapter provides information about the background and problems in the area of the study. After that the aim of the thesis, the case company, delimitations and a short overview of the structure of the paper are presented.

1.1 Background

Corporate activities of the twentieth century were mainly aimed at maximizing growth and economical wealth, which was measured in terms of quality of human lifestyle (Belz & Peattie, 2012). Furthermore, measured in terms of social aspects the twentieth century economics did not reduce the gap between the poorest and richest nations in the world (*ibid.*). The consideration of climate change was overshadowed by financial performances, until it evolved into an essential concern for politicians, environmentalist and economists at the end of the twentieth century (*ibid.*).

Concerns regarding sustainable development¹ have raised an agenda of our planet's limits and how much of our human activities the planet can sustain (Belz & Peattie, 2012; Rockström *et al.*, 2009; Weisz *et al.*, 2006). Reports have showed that human activities have large impacts on climate change and that our way of living has negative consequences on human wellbeing and the environment (Belz & Peattie, 2012; IPCC-report, 2014). Environmental concerns of climate change turned into one of the primary agendas, alongside sustainable development that started to appear more frequently in the business and management literature after the turn of the century (Bakker *et al.*, 2002; Carter & Roger, 2008; Hauschild & Björn, 2012; Savinoia *et al.*, 2013). However, consideration for the environment has received more attention, global competitive advantage and economies of scale are essential factors for the majority of organizations (Galli *et al.*, 2012). In most of the industrialized countries the production activities are often outsourced to other countries to get an economically cheaper production. These countries have often less strict regulations and laws regarding social and environmental activities, as working conditions and emissions (*ibid.*). As a result, countries import more services and goods that are produced with low social and environmental standards to sustain our consumption quantities (*ibid.*). Furthermore, these globalized markets result in a need for more transportation and production in long and more complex supply chains, which make them harder to assess, due to more actors involved in the process.

1.2 Problem background

Recently, corporations worldwide have started to be criticized and held responsible by stakeholders for environmental, social and economic problems (Porter & Kramer, 2011). Meanwhile, sustainability activities are starting to transform new market trends and opportunities for companies (Mont, 2001). Stakeholders often prefer companies that share information and are transparent concerning issues related to sustainable development (Schliephake, *et al.*, 2009). According to Ottman (2011). Transparency within companies also is a key factor to gain trustworthiness in their business, this by demonstrating that they do not have any unethical aspects to hide. Many

¹ In this thesis are both sustainable development and sustainability interpreted the same way.

stakeholders demand that companies should not only consider issues associated with their everyday activities, but also consider and value activities that are further down their supply chains, this because of the globalized business world of today with large amount of outsourced production, with low social and environmental standards (Ottman, 2011). Assessing suppliers and products of social and environmental activities in different steps in the supply chain is defined as ethical sourcing (Blowfield, 2000; Savino *et al.*, 2013; Seuring & Müller, 2008b).

One question that organizations and shareholders often ask is what effect environmental and social responsibilities has on profits (Chen & Slotnick, 2015). Savitz and Weber (2006, xiv) stated: “*sustainability is now a fundamental principle of smart management*”, and that sustainable development therefore is something today’s businesses actually need to get involved in (Bakker *et al.*, 2002; Carter & Roger, 2008; Hauschild & Björn, 2012; Savino *et al.*, 2013). The reason for this is that sustainable development often reflects the integration of social, economic and environmental factors within corporate responsibilities (Bakker *et al.*, 2002; Carter & Roger, 2008). Elkington (1997) was the one who developed the sustainable development interaction between these three essential parts: social, economic and environmental responsibilities. Elkington refers to the model as the triple bottom line (TBL), which is a commonly used term for sustainable development today (Carter & Roger, 2008; Gimenez *et al.*, 2012; Sarkis & Dhavale, 2015)

However, in order for an organization to become sustainable, the management has to develop a plan, including goals and strategies, etc. (Carter & Roger, 2008). Hence, the change does not happen overnight (Carrigan *et al.*, 2011; Savitz & Weber, 2006). For the majority of companies this also means a change in the organizational culture (Savitz & Weber, 2006). Changing business strategies and cultures towards a more sustainable development focus can be difficult, however important (Das Gupta, 2012). This is the case because customer demands, pressures on brand protection and risk management are central drivers for sustainable development initiatives when doing business (Dada *et al.*, 2013). Organizations start to give substantial attention to sustainable development issues due to pressure from non-governmental organizations, governments, and activists (Pagell & Wu, 2009). In other words, these stakeholders can have great influence on what kind of reputation a business can receive.

An increased awareness of the needs to address sustainable development is developing in various industries in the world (Belz & Peattie, 2012). In the fast moving consumer goods (FMCG²) industry, ethical sourcing has become a fundamental topic, due to a lot of poor working- and poor environmental conditions among many of their suppliers (Chen & Slotnick, 2015). Companies as Levi-Strauss and Nike have started to focus on a more transparent supply chain after demand from the public (Doorey, 2011). They acknowledged that there are many benefits with a transparent organization but it also implies costs (*ibid.*). These costs can arise when demanding higher social and environmental standards in the production processes and assessing used suppliers and manufactures more frequently (*ibid.*). Nike was threatened to lose large customer groups because of their problems with ethical

² FMCG are defined as packed products that are sold or consumed at small and regular intervals (Nagarajan & Khaja, 2013).

sourcing after Nike's child labor scandals. More transparency in their supply chain is one of their new strategies to gain back their legitimacy. Recently, the multibillion-dollar company Procter & Gamble (**P&G**) has been exposed by Greenpeace, which have recognized P&G deforestation due to palm oil plantations. The palm oil is used in their Head & Shoulders shampoo (www, Greenpeace, 2014). By the recognition from Greenpeace, P&G have received a decreasing public trust and negative media attention. As a result, P&G have changed their deforestation policy and will now only focus on using sustainably produced palm oil, that do not have as big deforestation impact or other oils in their products (www, Greenpeace, 2014).

Customer attitudes around the sustainable development agenda have begun to change in recent years. They do not only focus on price, they also have started to prioritize environmental factors that are related to products (Ammenberg, 2012; Svensson & Wagner, 2011). In the first six months of 2014, the sales of ecological FMCG, i.e., food, hygiene products and garments increased by 30% compared to the same period 2013 in Sweden (www, klimatsmart, 2014). Additionally, a study made by a market research company (Yougov, in 2015), indicates that 86% of the Swedish population are concerned that regular hygiene products, such as skin and hair care products, have a negative effect on the environment (www, mentornewsroom, 2015). This is because many consumers are uncertain what such products contain for substances and raw materials.

Understanding current consumer preferences have resulted in a gradual change where industries and businesses have given a higher priority to developing their products, services and marketing strategies with sustainable development in mind (Guimaraes & Buarque, 2012; Hauschild & Björn, 2012; Savinoia *et al.*, 2013; Sameer & Valora, 2008). To make this possible, organizations need a comprehensive understanding of their business and all sections of their supply chain and production processes (Ammenberg, 2012; Ottman, 2011). As industries and supply chains get longer and actors various interpretations of sustainable development (Foerstl *et al.*, 2010), causes increased difficulties for ethical sourcing activities in product assessment (Porter & Kramer, 2011; Seuring & Müller, 2008a).

1.3 Problem

Key actors interpret the term sustainable development in different ways and include different factors (Ammenberg, 2012; Robins, 2006; Singh *et al.*, 2012). Corporate efforts to address sustainable development challenges include a large number of activities and roles. One of the roles in the procurement process relates to the sourcing of inputs for production. When the purchasing is done in accordance with a set of ethical principles, it is referred to as ethical sourcing. It is no general framework that shows how ethical sourcing should be performed, it varies between industries and businesses (Blowfield, 2000; Chen & Slotnick, 2015). It often applies to focus on assessing environmental and social standards among services and goods (Wright, 2015). Strategic procurement when selecting suppliers and products is important part for management today, to avoid products produced in an unethical manner.

Ethical sourcing appears to play an important role among global organizations, where their environmental and social concern can have a good influence on their

commercial marketing (Barrientos & Smith, 2007; Doorey, 2011). Some industries are trying to develop their products to be more sustainable. Efforts are also made to change customers' behavior (Doorey, 2011). For example, automobile companies have started to offer courses on how to drive cars in a more eco-efficient and safe way (Belz & Peattie, 2012). Another example is electronic companies that have developed their washing machines so it is possible to wash tableware and clothes with cold water, to reduce energy use caused by heating warm water (Nordic Ecolabelling, 2015). Similar effects are made in the service sector where the consumer's roles can be crucial. The hotel industry is trying to change the guest consumption behavior by reducing the food plate size in their restaurants to lower food-waste or have signs in bathrooms that influence guest to use their towels more than once (Ammenberg, 2012; Belz & Peattie, 2012).

Retailers have a key role in creating grounds for sustainable development in FMCG's. They make strategic plans for the product assortment. In other words, they decide what options the consumers have when making their purchasing decisions (Belz & Peattie, 2012). Retailers can also decide to remove products, which they consider are not produced ethically or environmentally responsible, which is referred to category management. Other industries may have more difficulties in their procurement activities. For example, some industries cannot have as large selection of products for customers to choose from as e.g. retailers can offer. Instead, these companies have to make the choice for the customers what to consume.

One example of this is in the hospitality industry, hotels need to be aware what products to use if they want to work for a more sustainable business. The products hotels decide to use are often consumed in large quantities, due to a large amount of guest staying at hotels. A change of a product in this industry can make a big difference from a sustainable development viewpoint. An example of this is the coffee consumption at Nordic Choice Hotels (NCH) where 1600 organic cups of coffee are served per hour (NCH report 2012, 36). If they had used conventional coffee instead, they would have caused a use of twenty tonnes more of nonorganic fertiliser and two tonnes more chemicals in the production of the coffee.

To make such changes, it is important for companies to develop a higher awareness of products and supply chains, to keep track of how products are being produced with sustainable development in focus. By gaining better knowledge of these processes can help organizations to do valuable ethical sourcing decisions when assessing products. Difficulties arise for companies that only purchase end products and are not involved in the production process (Maignana *et al.*, 2002; Schneider & Wallenburg, 2012).

For these companies the procurement process becomes difficult since an assessment has to be made concerning the environmental impacts as well as ethical considerations. Businesses need to ensure that the products they purchase are produced with preferable social and environmental standards, which put a pressure on the procurement processes to assess products and find good ethical sourcing strategies. In addition, products that could be used have to be compared, focusing on the environmental impact and ethical considerations, which are difficult to compare with each other (Slaper & Hall, 2011).

1.4 Aim and research questions

With increasing supply chain complexity and various interpretations of sustainable development within global supply chains makes the procurement process difficult for ethical sourcing initiatives when assessing products (Foerstl *et al.*, 2010, 118).

Therefore, the aim of this thesis is to investigate conditions for ethical sourcing that can help to ensure product assessment in procurement situations. The thesis aim to address the following research questions:

- What factors can be included to perform ethical sourcing?
- How can products be assessed in ethical sourcing?

The thesis is a commission project from the Scandinavian hotel chain Nordic Choice Hotels. The NCH will be introduced more comprehensive in *Section 1.5*, where the areas the commission cover also will be presented.

1.5 Nordic Choice Hotels

This thesis as mentioned was done as a commission from NCH. As a consequence, I have probably gained access to more information about NCH, compared to if this study would have been done by another external part that has not been assigned a commission. A representative of NCH, has given me the task to analyze how NCH can use ethical sourcing when assessing FMCG, more exactly soap and shampoo (S&S).

NCH “*believe that companies that put emphasis on culture and take on-social responsibility are better companies than those that do not*” (NCH, 2012, 13). NCH has the sustainable development focus according to the TBL-framework, but instead of describing the TBL-framework using social, environmental and financial performances as key terms, they describe this framework using the key terms People, Planet & Profits (PPP) (NCH, 2012, 13). With this sustainable development focus this thesis use the theory of the TBL as a foundation, which captures the same areas as PPP-framework.

The data NCH has provided me with is on NCH’s consumption of S&S on their Swedish hotels. The researcher has not been given access to consumption of S&S in the other countries which NCH are located in, this will be presented further in *Section 1.6.2*. Which leads to that the general focus will be on the Swedish hotels when evaluating the S&S data. This data is presented in *Chapter 5*.

NCH is one of Scandinavia’s largest hotel chains (www, Nordic choice hotels, 2014), they have 179 hotels with a total of 29 785 hotel rooms (including their franchise hotels) in five countries (www, NCH annualreport, 2013a). NCH have approximately 9 million guests each year and has 12 250 employees. Within NCH there are 4 hotel chains and 10 independent hotels (www, NCH annualreport, 2013b). These hotels have different hotel standards with different prices (www, NCH annualreport, 2013c), the different hotel chains are presented in *Table 1*.

Table 1. Nordic Choice Hotels, five different hotel chains.

Hotel chains	Hotel description
Clarion Hotel	A full service hotel, always located in the heart of the city center, for people who appreciate elegance, quality and service. Focus on elegance hotel design and art with a living lobby and restaurant with music (www, NCH annualreport, 2013d).
Clarion Collection	A full service hotel, in the city center, every hotel has their unique look and excellent service. Focus on taking away the business and hotel experience and tries you to feel more like you are at home (www, NCH annualreport, 2013e).
Quality hotel/Quality Resort	Creating a friendly atmosphere with a fine culinary experience, focus on that your meetings, weekend getaways and conferences turns out the way you want, with a fine culinary experience (www, NCH annualreport, 2013f).
Comfort hotel	A central, casual and urban hotels, not full service hotels that only focus on essential aspects. Therefor NCH can give you hotel room for a reasonable price with a central location (www, NCH annualreport, 2013g).
Nordic choice hotels & resorts	Ten unique and independent hotels, focus on top class experience and services. Located near the sea, mounting or gives you a great urban experience (www, NCH annualreport, 2013h).

The last couple of years NCH have started to focus a great deal on improving their sustainability work in their organization. Reductions of food waste, energy- and water use are areas they have put focus on. This year, i.e., 2015, they will focus more on their assessment of cosmetic products which includes S&S. The assignment in this study is how NCH's ethical sourcing assessment needs to take into consideration in their procurement process of S&S.

1.6 Delimitations

Several delimitations were made when the chosen research topic was determined. These delimitations have played a significant role for the choice of research method and collection of information for the theoretical and empirical framework. Below, the delimitations made are presented and discussed.

1.6.1 Theoretical delimitations

The theoretical chapter is written in a business-to-business (**B2B**) approach, where companies buy from other companies, this is further explained in *Chapter 3*. This is because NCH do not have their own manufacturing facilities and do all their purchasing from other businesses. The theoretical framework is limited to areas that are relevant to ethical sourcing, which includes the TBL-framework, sustainable development, and supply chains. The theoretical focus of the TBL-framework is used due to the fact that NCH have the so-called PPP-approach, which corresponds to what the TBL-framework includes. The TBL is well used and cited by researchers, which makes it a reliable theory to use within areas of sustainable development (De Giovanni, 2012; Elkington, 1997 Gimenez *et al.*, 2012; Sarkis & Dhavale, 2015). There is large numbers of theoretical perspectives that could be considered within this area. The reason why the study focuses the supply chain instead of the value chain is that the commission from NCH is how to assess products that they purchase from their suppliers. NCH are not included in the production of S&S but they want to be more aware of how the produces are produced and where they come from. This is why ethical sourcing is included in the theoretical chapter. With the aim of product assessment within ethical sourcing, theoretical assessment tools models could have

been used in this thesis to get an understanding into how products actually are manufactured. Nevertheless are models for assessment tools a complex area, which would be hard to combine with the other frameworks that were chosen considering the size limitations of this thesis.

1.6.2 Empirical delimitations

According to NCH, when assessing whether a product is sustainable or not, the assessment will not be on biological aspects. This is because assessing biological consequences of products used goes beyond the framework of the present study. Put differently, biological consequences do not lie within the researcher's area of expertise. The assessment of the environmental, social, and financial factors of S&S used in the NCH-chain will be on a holistic level, focusing the three aspects crucial in the TBL-framework, which NCH label PPP. Additionally, is it liquid S&S that will be studied in this thesis, since that is the type of S&S-products used by NCH.

Many studies of impact assessment use emissions of CO₂, N₂O, CH₄ as general aspects when evaluating and comparing products (Röös, 2013). This thesis does not include these data. Instead, it will focus on general assumptions on sustainable development and already existing products and organizational standards and tools. The reason for this delimitation is that NCH does not only focus on CO₂-emission or other emissions in their sustainable development concern (NCH, 2012, 13).

FMCG hygiene products such as S&S come in different containers and forms that are often made of plastic. The study will not look closer on how much harm plastic containers can make on the environment when it is manufactured or wasted. Here, the general conclusion is that plastic waste is not preferable is made. To assess which plastic is more preferable to use will go beyond the research area and the aim of the study. The NCH representatives and the researcher are aware of that there is a lot of waste from S&S containers generated in NCH. However, the study's focus is on ethical sourcing assessment of S&S in a procurement process, which means to find the importance of what aspects within ethical sourcing that can be preferable for NCH to consider. Furthermore the annual quantities of S&S data are from what have been consumed at all NCH in Sweden during period of 2010 to 2014. The reason why this data only concerns NCH Sweden is that the researcher only received access to the data of S&S that was purchased in Sweden during this period. The majority of NCHs hotels are located in Sweden and Norway. According to Dehli (pers. com., 2015) is the product selection and quantities of S&S similar in Sweden as in Norway.

The majority of manufacturing assessment tools are complex (Ascough *et al.*, 2008; Singh *et al.*, 2012). Furthermore, different assessment tools identify sustainable development differently and as a consequence, different assessment tools used in analytical processes performed by manufacturing firms use different complex calculation methods. To evaluate these methods would go beyond the scope of this study. Instead, the analysis aims to consider an assessment of S&S with aspects from the TBL-framework, more accurately to describe what ethical sourcing that can be preferable and which ethical sourcing activities other organizations have conducted throughout their supply chains.

1.7 Outline

Figure 1 illustrates eight boxes that how this thesis is outlined, chapter 1 to 8.

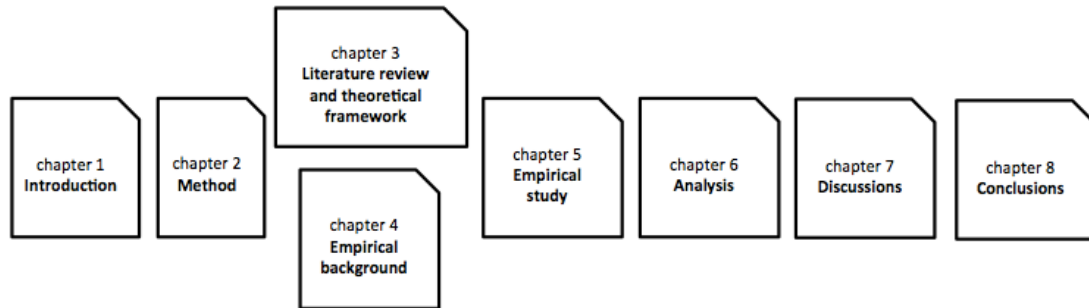


Figure 1. Thesis outline.

Chapter 1 identifies and gives the reader information about the background and the context of the thesis. It also informs about the problem, the study's aim, research questions and a brief presentation of the case company. **Chapter 2** aims at giving the reader an understanding of the methodological approach that the researcher has used. It shows approaches of quality assurance, ethical considerations, research processes and collection of data. **Chapter 3** is based on a literature review and it presents the theoretical framework that the researcher has used, and a conceptual framework is presented (in *Section 3.6*), which illustrates how the theoretical framework areas are connected to each other. **Chapter 4** gives the reader information to present a deeper understanding of ethical sourcing and different ethical sourcing approaches that some companies use. Empirical results: **Chapter 5** presents the information collected through the interviews that were performed among the employees at NCH. Furthermore, in this chapter statistics from NCH on the S&S consumption is presented. **Chapter 6** gives the researcher's analysis of the empirical findings, using the conceptual framework that was created from the theoretical frameworks. **Chapter 7** highlights the research questions of the thesis and offers a discussion, connecting other studies' findings and analysis. **Chapter 8** gives potential answer/proposals to the aims of this thesis and gives suggestions for future research.

2 Method

This chapter accounts for the methodological approach and choices that have been made to collect and assess data in order to reach the purpose for the study.

2.1 Approach

A researcher often already has an understanding and knowledge of the area that will be studied and this experience can have an impact on the choice of aim, theoretical perspectives and method of analysis. As a result, creating trustworthiness is a necessary part in research processes (Robson, 2002). Trustworthiness can be established through a transparent choice of every step of the research approach (Alvesson & Skoldberg, 1994). A literature review was conducted when gathering the factors central to the theoretical framework used in this study. Furthermore, a qualitative case study has been performed with semi-structured interviews with employees at NCH to collect the data analysed. This chapter outlines how the information from the literature review and interviews was executed.

The phenomenon that is studied is how product assessment can be performed using the idea of ethical sourcing in a B2B in a specific setting. The product area that has been considered is FMCG and the specific product will be cosmetic products, belonging to the S&S-group. When determining what NCH can consider when assessing products they consider as useful in their hotels a qualitative case study was performed. Data collected in the empirical part of the study are from interviews, internal NCH- documents, sustainability reports and NCH statistics on S&S and a comprehensive literature review for the empirical background. The semi-structured interviews played an important part in the analysis, the information from the interviews gave the researcher valuable information on what aspects within the TBL-framework that can be considered for NCH with focusing on ethical sourcing in procurement processes. Furthermore, empirical results were explored and analysed using a theoretical framework to assess these and understand the data, hereby attempting to add knowledge to the field of research.

2.2 Research design

In research the main research approaches are, the deductive approach and the inductive approach (Robson, 2011). In a deductive approach hypotheses are created from existing theories which are tested using statistical methods of research, that will confirm whether the hypotheses holds (Saunders *et al.*, 2009). When a researcher is using an inductive approach the researcher needs to perform a data collection of empirical data to get ideas and concepts for how the theoretical framework can be formed (Bryman, 2004; Robson 2011). Considering the aim of this study, the researcher conducted an abductive approach, which is a combination of the inductive and deductive approach (Saunders *et al.*, 2009; Yin, 2013). The deductive approach-part of this research was the comprehensive literature review conducted to introduce the reader to the research topic, additionally to capture examples in the empirical findings. Whereas the inductive approach were to develop a conceptual framework from the theoretical findings, which was adjusted and revised after performing the interviews in the case study.

The theoretical framework in this thesis is built on a literature review. The general focus has been on the area of ethical sourcing, TBL and sustainable development within supply chains. An intention of using numerous theories is to gain an understanding of various perspectives within the same area of research and to build confidence in the research area (Robson, 2011, 158). Theoretically based justifications on current conditions also gives an assurance that the researcher has the same understanding as other researcher within the area of study (Robson, 2011).

The choice of using TBL as the dominant concept in the theoretical framework is because the NCH are using the aspects of the PPP when running their business, which captures the same areas as the TBL-framework. Furthermore, ethical sourcing and supply chains are important areas to consider when managing a more sustainable business in the twenty-first century's globalized world (Galli *et al.*, 2012; Porter & Kramer, 2011).

2.3 Literature review

The form by specific research questions are formulated for a study, leads to a theoretical understanding of how the study has to be developed to identify the gaps in the research area (Robson, 2011). In addition, the literature review gives the researcher deeper knowledge of the studied area and support in the process of developing the research questions (Backman, 2008; Robson, 2011). It also gives an understanding of previous studies made in the same field (Backman, 2008). The literature review can give inspiration from earlier studies on different methods to be used, which can help the researcher in the analysis (*ibid.*). The literature review is the main information source to create the theoretical framework presented in *Chapter 3* and empirical background in *Chapter 4* in this thesis. The information collected in these chapters, is collected by a literature review with the use of the keywords that are shown in *Table 2*. The choice of keywords central to the theoretical framework was that the theories are all connected to the context of ethical sourcing. The choice of keywords in the empirical background was based on the issue to identify what other researchers have written about ethical sourcing in B2B procurement processes and gaining more knowledge within FMCG and the hospitality industry.

Table 2. Keywords used in literature review.

Theoretical framework keywords	
Sustainability	Sustainable development
Supply chain AND Transparency	Ethical sourcing
Triple bottom line AND TBL	Eco-Efficiency AND Green production
Social responsibility	Financial opportunities
Social performance	Financial performance
Assessment tools	Sourcing tools
Empirical background keywords	
Hygiene and cosmetic products	Fast moving consumer goods AND FMCG
Soap	Shampoo
Hospitality industry	Hotel industry
Ethical sourcing	Ethical sourcing initiatives
Purchasing assessment	Nudging

Several databases were used when searching literature with these keywords. Furthermore, the keywords were used in different combinations when searching in the databases Scopus, Primo SLU library's database, Google and Google scholar. Relevant articles that were found by different combinations of the keywords were used as a start of a "snowball effect" strategy, where the researcher looks for other relevant articles that have been cited in articles that first were found through the initial search, using the keywords of *Table 2*.

2.4 Qualitative case study

The qualitative research approach was chosen to address the aim of this thesis. Participants are interviewed to get a holistic understanding of the case company (Robson, 2011, 79), particularly to understand factors to consider within sustainable development and the employees' perception of S&S to improve the NCH products' assessment within ethical sourcing. Five employees at NCH have been interviewed to collect the data about the specific organization and setting.

A case study is often referred to as a qualitative approach because it holds a few units of analysis (Bryman, 1989; Robson, 2002). When using a qualitative case study the interviewees are used to improve the perspective of reality, in this case NCH (Robson, 2011). With a qualitative approach, a generalization is not possible (Bryman, 2004; Robson, 2011, 79). Instead, the aim rather is to become knowledgeable and get a deeper understanding of and to find a perceptive of the empirical problem in focus (*ibid.*, 79). It is important to the researcher to have an understanding of the study's context and what aspects to be aware of and informed about in this particular setting (Robson, 2011, 135). Additionally, it gives a context to the area of study that can be helpful for the evaluation to take a more detailed approach (Bryman, 1989; Yin, 2013).

2.4.1 Collection of data

Adopting various sources of information channels can make the findings trustworthy and even give unexpected findings from the problem area (Yin, 2013). The thesis is not only built on the literature review it also has collected empirical data through semi-structured interviews with employees at NCH. This text explains what type of interviews were performed, the choice of interviewees at NCH and where the interviewees are positioned in the organization and their main work area.

2.4.2 Interviews

Semi-structured interviews are seen as a checklist of questions that will be asked and the questions do not need to be presented in any exact order (Robson, 2011, 280). This form of interviews often encourages participants to speak more openly about the questions, which can lead to more comprehensive answers. With semi-structured interviews the opportunity also opens up for follow-up questions that are not in the questionnaire (*ibid.*, 280). Furthermore, were the questions designed after the theoretical framework was organized, in order to get a good understanding of what kind of interview questions that should be presented. The information collected from the interviews was closely considered to identify bullet points to include in the empirical study of this thesis.

To avoid misunderstanding and make the interviewees feel comfortable, all interviews were conducted in the interviewees' native language Swedish and Norwegian. The interviews were made both through face-to-face interviews and telephone interviews. The interviewees could choose what type of interview they wanted to take part in. The majority of the interviewees preferred a telephone interview. Two of the interviewees were not living in Sweden. Hence, due to travel costs there was no other choice but to have telephone interviews in these cases. Using the method of telephone interviews is a faster and often a cheaper way to interview people, compared to face-to-face interviews (Robson, 2011, 290). A disadvantage with telephone interviews is that they often need to be shorter than face-to-face interviews. That is because participants have the tendency to lose focus in a telephone interview (*ibid.*, 290). Not being able to interpret body language and facial expressions are also a disadvantage with telephone interviews.

When designing an interview based questionnaire the important part is to determine what data the researcher is seeking to collect and how this data could be analyzed (Robson, 2011). To get a better dialogue between the person that is interviewed and the interviewer, the questionnaire was designed with questions that could not be answered with Yes or No, so called open-ended questions – see Appendix 2 (Robson, 2011, 262). The interviewees need to describe their answers in sentences so that the researcher gets more specific data to analyze. This is to simplify the process of analyzing the collected interview data, to make it possible for the researcher to summarize and draw conclusions from the analysis, using the chosen theoretical framework.

2.4.3 Choice of interviewees

The majority of the semi-structured interviews were performed with employees of the NCH environmental management group, a choice based on a dialogue with the contact person at NCH. The choice was made to get a broad understanding of NCH's vision and attitude in the area of sustainable development and ethical sourcing, from employees that are knowledgeable within the area. Additionally, the interviews also included employees outside the environmental management group that work more closely with the hotels' day-to-day business to find if they had different perspectives on the questions.

The persons taking part in the interviews were all contacted at the same time through a letter that was sent by email, see *Appendix 1*. The letter gave information about the area and aim of the study and also informed that several people within the same case study company were going to be interviewed. To prepare the participants for the interview the questionnaire was sent to the participants some days before the interview took place, see *Appendix 2*. Robson (2011, 282) state that it is important to record all interviews that are performed. Hence, all interviews were recorded to minimize misunderstandings when the interviews were transcribed. Furthermore, participants were given the opportunity to confirm their answers to clarify that the interviewer interpreted the answers correctly. This is a method to establish credibility in the research process, as it is a respectful way to determine if the researcher has included its own thoughts into the respondents' answers (Robson, 2011).

Five interviews were conducted. As similar answers started to occur on the majority of the interview questions after performing five interviews, the researcher decided to

be satisfied with these interviews. The interviewees can be seen in *Table 3*, and the interviewees are marked with a number between 1-5 next to their name. These numbers are also spotted in the organizational chart in *Figure 2*. The numbers are used to highlight in which section of NCH the different interviewees work. This is because the interviewees have different roles and responsibilities in NCH.

Table 3. Interviewed employees at Nordic Choice Hotels.

Interviewee	Business title	Interview type	Interview date	Transcript	Confirmed
1. Cathrine Dehli	Head of Sustainability	Telephone	2015-04-27	2015-04-28	2015-05-05
2. Gustav Stenbeck	Director Sustainability & Security	Telephone	2015-04-10	2015-04-12	2015-04-22
3. Erik Killie	Manager sustainability & energy	Telephone	2015-04-13	2015-04-13	2015-04-20
4. Mikael Ljunger	General Manager	Telephone	2015-04-16	2015-04-16	2015-04-29
5. Josefin Ligne	Director of brand & projects	Face-to-face	2015-03-30	2015-04-03	2015-04-17

The organization chart below in *Figure 2* shows where in the NCH organisation the interviewees are positioned. The interviewee's organizational position is shown by numbers 1 to 5, as described above, e.g. Gustav Stenbeck is no 2 in *Figure 2*.

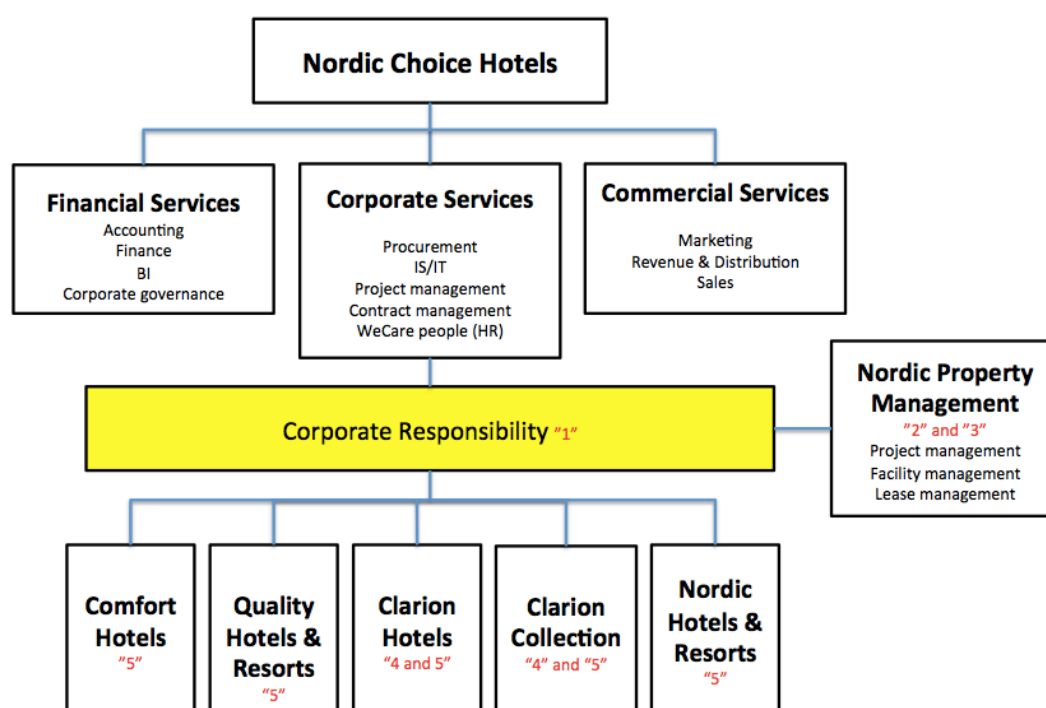


Figure 2. NCH organizational chart with each interviewee's position marked by numbers 1-5, corresponding to the numbers indicated in Table 3.

Figure 2 is designed to get a general picture of where in the organization the interviewees are located. No1 - Cathrine Dehli is “*head of sustainability*” and positioned in the yellow box “Corporate Responsibility”. No 2 - Gustav Stenbeck “*Director Sustainability & Security*” and No 3 – Erik Killie “*Manager sustainability & energy*” are positioned in the “Nordic Property Management” box and work full time with sustainability aspects and have a close connection to the Corporate Responsibility group. No 4 - Mikael Ljunger “*General Manager*” is the hotel manager of one Clarion Hotel, and one Clarion Collection Hotel. No 5 - Josefin Ligne “*Director of brand & projects*” is a coordinator for all NCH hotels and works with a project focusing on how to improve consumption patterns within the hotels including S&S.

The interviewees 1, 2 and 3 are positioned close to the area of study with their main task to work with the sustainable development aspect within NCH on a day-to-day basis. Interviewee 4 is positioned further from the Corporate Responsibility group, but has good insight in how to operate hotels within NCH and therefore holds valuable knowledge of how guests and staff react to sustainable development changes within the hotels. Interviewee 5 is close to the hotels and has a good insight in the entire NCH hotel chains and the procurement processes in terms of S&S.

2.5 Trustworthiness

In a research process it is always important to achieve reliability throughout the entire process (Robson, 2011). In a qualitative case study generalization is not sought for, because conditions and settings are unique to the setting in which the interviewees act and therefor the main interest is to get a deep understanding of “the specifics” in the case studied – not aiming at comparing and generalizing results. This thesis has tried to establish reliability by using numerous sources of information, in terms of answers given, and by defining delimitations already in the research design of this thesis. In the collection of data, various sources of evidence have been used to confirm triangulation³ and possible to increase the trustworthiness. This is because if several sources confirming the same information, the researcher can avoid bias and misunderstanding of the collected data (Robson, 2011). This led to that models captured in the theoretical framework have been used as main factors for the analysis of the empirical findings.

To ensure trustworthiness during the interviews the interviews were recorded, transcribed, summarized, and sent back to the interviewees to confirm that the summarized material from the interviews corresponded to the answers of the questions given during the interviews. Due to the researcher’s pre-understanding of the subject and that the interviews took place after the theoretical framework was formed the researcher had good knowledge in the field of sustainable development and ethical sourcing. This knowledge was valuable as interviewees answered with different viewpoints and concepts when answering the questions.

Additionally, the researcher has also used some important data on S&S consumption in the empirical study *Chapter 5* that has not been triangulated. Employees of NCH

³ When several sources or method of data collection is used it triangulation is performed (Bryman, 2004).

have provided annual data on S&S consumption in all of NCH in Sweden between the years 2010 through 2014. This data has not been found elsewhere; as this data does not come from multiple sources it could reduce the credibility of the report, this because that the researcher cannot prove the specific data is correct. Still to keep in mind is that this is a commission from NCH, which have made the researcher to put trust that the provided data is correct.

2.6 Ethical considerations

It is important to consider ethical aspects on what you are proposing to do already from the very beginning when performing a research project (Robson, 2011, 497). Every project is unique and has its own ethical problems to consider. Ethical codes are often unclear so the researcher needs to carefully consider and determine the ethical problems in the research-project (Robson, 2011). One important ethical aspect for a researcher is when a case study is presented that involves interviews. Ethical aspects are perceived differently and participants can have different understandings on what is ethically right (Bryman & Bell, 2011). This is important in the present study – as the study involves interviews – the researcher needed to treat all the interviewees with openness and respect.

One factor that is included in this respect is that all participants have taken time off from their regular jobs to conduct the interview and hereby help the researcher to come one step closer to completing the study. Both after and during the interview, the interviewees had the possibility to exclude parts that they did not want to be published and to add information that they did not mention during the interview.

All interviewees in this study are employees of the NCH. The chance for interviewees to be anonymous was not allowed; the interviewees were informed of this in advance. The agreement for open references is associated with the professional role in which the interviewees were contacted and the commission objectives of NCH. Robson (2011) explains that it is important that participants of interviews are well informed about the context of the research before they take part in the interview. This is why all participants got an email that explained the setting of the study, and also were provided with the interview questions in advance and were asked if they agreed and felt comfortable with the fact that the interview was recorded. Additionally, the participant had the chance to modify their answers afterwards.

These aspects are central in order to reduce the risk that the researcher will interpret answers the wrong way, and simultaneously to safeguard that the interviewees can feel that they can speak more freely (Robson, 2011).

This chapter was construed to inform the readers about what methodological research approach was used. Furthermore, to explain what different choices the researcher has made during the research process. Next chapter will present the Literature review and theoretical framework.

3 Literature review and theoretical framework

This chapter contributes with the theoretical perspectives that are applied in the study. A summarized table with key factors of *Chapter 3* can be found in *Appendix 3*. The information in this chapter is collected from a literature review aiming to give an introductory theoretical background on the perspective of how companies are trying to make more ethical sourcing initiatives, when assessing products and suppliers in the areas of sustainable development.

The chapter will explore more closely how organizations could act in a B2B environment when constructing strategies for ethical sourcing; furthermore this chapter will explore areas of the TBL-framework and sustainable development in supply chains. Focusing the B2B environment a company purchases goods from suppliers and not as in a business-to-consumer (**B2C**) relationship, where the companies sell products/services to end customers. The difference between these two is that B2B focuses on long-term relationship building with suppliers (Chang *et al.*, 2011; Glynn, 2012), where a B2C situation implies e.g. when a customer buys something in a supermarket. B2B situations are often risky because the purchase often entails large quantities and high costs (Chang *et al.*, 2011; Rauyrien & Miller, 2007). As a consequence, the assessment of the procurement process becomes important. Ethical sourcing in this assessment is also important, to be sure that the purchased products also have good environmental and social standards. A good relationship and customer loyalty in the B2B environment can make these factors less resource demanding to assess (Rauyrien & Miller, 2007). This is due to that B2B procurement also value relationship building and trust between the actors in the relationship, and not only focuses on purchasing products.

3.1 A triple bottom line perspective

The TBL that Elkington (1997) developed focuses on integrating sustainable development into business practice and is one of the fundamental framework within sustainable development (Carter & Rogers, 2008). It is designed to influence organizations to give more attention to reporting impacts created by the organizational, environmental, and social activities, and not only to focus on the organization's financial performance (Carter & Rogers, 2008; Robins, 2006; Sarkis & Dhavale, 2015; Savitz & Weber, 2006).

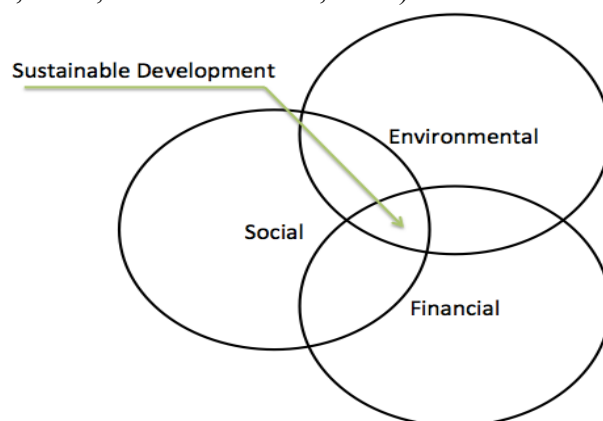


Figure 3. Triple bottom line (TBL) (Carter & Rogers, 2008, 365; Elkington, 1997).

Figure 3 illustrates the key elements of the TBL and shows that to achieve sustainable development, environmental, social and financial performance needs to be integrated. In addition, the idea behind the TBL-framework is that the social, environmental and financial activities should not only consider short-term effects but also long-term effects (Carter & Rogers, 2008). Additionally, TBL supports businesses applying increased transparency and openness. Furthermore the demand for more nonfinancial reporting has started to be demanded more frequently, by different kinds of stakeholders as governments, customers and non-governmental organizations (Robins, 2006; Wolf, 2013). These stakeholders have established an important demand on organizations to work towards a more sustainable business (Wolf, 2013, 92).

Initiatives from organizations to build an image as “sustainable” or “green” organizations have often been accused of not achieving what they communicate (Wolf, 2013, 92). This is because it is difficult for organizations to put more goals within the aspects of TBL and simultaneously accomplish these initiatives properly right away. The main difficulty for businesses to implement strategies with a sustainable development focus is that they often first have to develop comprehensive sustainable development strategies (Wolf, 2013). What makes this difficult for businesses is how they will implement these strategies in an appropriate way so it fits into the structure and culture of the organization (Wolf, 2013), while finding a good combination of social and environmental initiatives that are possible to cope with financially.

Organizations that start to focus more thoroughly on TBL-aspects often need to change their fundamental mind-sets of running a business and the culture within the organization, to accomplish this (Norman *et al.*, 2004). The TBL expects organizations to go beyond regulations and laws by developing a wider focus on environmental and social performance. This includes that they first of all always need to follow the regulations and laws within their country and industry (Robins, 2006). Secondly, organizations need to increase their environmental and social responsibility more than what regulations and laws are demanding.

Difficulties with the approach of the TBL are the trade-offs the organizations make between the social, environmental and financial factors (Angus-Leppan *et al.*, 2010). Organizations often tend to focus on financial factors before making a standpoint in how to handle the two other elements (Angus-Leppan *et al.*, 2010, 189). Focusing on environmental and social performance is, in the long run, equally important as other factors that give companies profitability and a good reputation (Norman *et al.*, 2004). The performance of the social and environmental aspects can be very hard to calculate, compared to the economical values which have money as a well-known measurement (Slaper & Hall, 2011). It is harder to find a common unit that can be used when evaluating the environmental and social parts of the TBL. Companies focus on different aspects within these areas and different countries consider these aspects differently as well (*ibid.*). Therefore, finding a measurement unit for the TBL could be a big challenge (Slaper & Hall, 2011; Norman *et al.*, 2004).

In sum, implementing TBL within organizations’ businesses has increased during recent decades due to evidence that point in the direction that if focusing on these

aspects long-term profitability can be created (Carter & Roger, 2008, 365). The TBL is valuable in the way that it supports and even demands corporate disclosure and transparency in a more holistic way than the traditional way of doing business (Robins, 2006).

3.2 Ethical sourcing

Corporate disclosure and transparency in supply chains is important in the context of ethical scouring (Barrientos & Smith, 2007; Powell, 2011). There is no general framework that illustrates what ethical sourcing exactly is. Codes for ethical sourcing vary between different companies and industries (Blowfield, 2000; Chen & Slotnick, 2015). Companies often implement code of conducts (**CoC**) in an ethical sourcing agenda that the organization and their suppliers need to follow (Preuess, 2009; Blowfield, 2000). Developing a CoC is not the only way organizations handle ethical sourcing aspects. Some organizations have more formal guidelines on what requirements they have on themselves and their suppliers and other actors involved in the supply chain. Companies often implement CoCs for ethical sourcing to improve the relationship with their suppliers in less developed countries where national laws and regulations are not the same as where the company is generally located (Blowfield, 2000). Nowadays ethical sourcing is often seen as a business responsibility more than a business opportunity (Blowfield, 2000; Chen & Slotnick, 2015). Ethical sourcing codes are usually separately addressed to encounter environmental and social criteria (Blowfield, 2000). Aspects of ethical sourcing are often seen as key factors for organizations to succeed with sustainable development. It is generally used and seen as a measurement on how organizations administer environmental and social activities. Some indicate that the concept of ethical sourcing is only focused on social factors and some indicate that it considers both environmental and social factors (*ibid.*). This, however, depends on what sort of ethical sourcing approach a business implement. In addition, many companies are not structured the same way and then often use different approaches for ethical sourcing.

Blowfield (2000) explains that companies that include both environmental and social performance in their codes of ethical sourcing often strengthen their position on the market and increase their trustworthiness. Blowfield, (2000) also clarifies that if sustainable development is achieved by the TBL, why should not companies focus on both these aspects when forming their ethical sourcing codes when sustainable development depends a lot on the awareness of consumers (Blowfield, 2000; Chen & Slotnick, 2015). Usually, companies that have a holistic understanding how environmental and social laws and regulations are developed in different countries, that benefits most of ethical sourcing (Blowfield, 2000; Carrigan & Pelsmacker, 2009).

Ethical sourcing can be seen as a short-term focus for organizations when trying to increase legitimacy (Blowfield, 2000; Carrigan & Pelsmacker, 2009). It usually increases business awareness within social and environmental conditions for organizations and on their actors in the supply chain. These organizations often improve and start to manage and run their business in a more sustainable way in the long-run perspective (Blowfield, 2000; Chen & Slotnick, 2015). This is because overall, the social and environmental factors receive more attention within these organizations. In the apparel industry, for example, companies feel more and more

obligated to implement stricter policies concerning their social and environmental performances and to fulfill the expectations of the public (Wong & Taylor, 2000). Organizations with well-known brand names are often actively working with their social performance to avoid unexpected criticism that can harm their brand value (Awaysheh, 2010, 1246). Simultaneously, organizations that are cutting back on social and environmental performance in their supply chains, when trying to reduce their costs, often increase the risk of weaken trustworthiness among the public which can affect their market shares negative in the long perspective (Carrigan & Pelsmacker, 2009), since sales decrease and costs can occur of a poorly controlled supply chains (Porter & Kramer, 2011).

3.3 Sustainable development in supply chains

A holistic view is required by organizations in order to produce or assess sustainable products, including keeping track of all processes that are involved in the supply chain (Jaya *et al.*, 2010). This implies that the sustainable development on the organizational level begins with keeping transparency in supply chains, both for manufacturers and in procurement processes for organizations that purchase products. Hemdi *et al.*, (2013) indicate that to produce sustainable products organizations need to, already in the designing stage of products, focus on sustainable development within their future production processes. They argue that it is more suitable to conduct changes direct in the design phase, compared to in the already established production processes for products (Blowfield, 2000; Chen & Slotnick, 2015).

Production processes involves many steps in a supply chain; flows of material and capital, suppliers, distributors and products that finally will be delivered to customers (Mishra *et al.*, 2012; Seuring & Müller, 2008b). During recent years, both practitioners and researchers have devoted much focus and time on sustainable development and the environmental aspects of supply chains (Savino *et al.*, 2013). Firms build up their market strategies with a focus on green marketing when promoting their products (*ibid.*).

In this new setting, companies put more pressure on themselves and on their suppliers also in their marketing behaviour focusing on decreasing environmental impacts through their entire supply chain (*ibid.*), by implementing environmental standards or CoCs for their suppliers to follow. This is because companies are starting more and more to be held responsible for their suppliers' social and environmental performances (Seuring & Müller, 2008b, 1699). The companies exposed to these new requirements are often companies with high brand value. Companies like Adidas, Disney and Nike have been exposed to problems with suppliers with poor working standards within their supply chain (*ibid.*, 1699). The more complex and longer the supply chains become, the more time consuming it gets to engage and keep track of suppliers (Smith, 2008; Rainey, 2010, 316). As a result, the risk increases for more disruption in the supply chain because of more actors involved in the processes (Smith, 2008; Ellis, Henry & Shockley, 2010; Blome & Schoenherr, 2011).

The growing complexity of the supply chains increase the vulnerability for environmental and social damage that companies can be accused for (Smith, 2008). In these cases companies need to get a better understanding of how designing their supply chain can affect the risk exposure for the companies and be aware of that in

their decision making processes (Wagner & Bode, 2006). *Figure 4* below illustrates how a basic supply chain might look like.

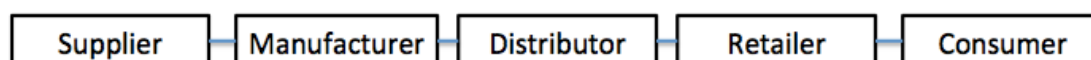


Figure 4. Supply chain illustration (Chorpa & Meindl, 2007, 5).

Cradle to grave⁴ thinking has a big impact on the decision-making in a supply chain when companies develop a new product (Ottman, 2011; Rainey, 2006, 532). They need to carefully compare which inputs that should be used in the processes (Ottman, 2011; Rainey, 2010, 533). To minimize the overall negative social and environmental consequences in a supply chain, companies have to try to collaborate with suppliers and distributors throughout the products' delivery system, in order to try to maximize the value, by working with the TBL aspects (Carter & Easton, 2011; Rainey, 2006). With TBL they try to avoid the negative implications from the materials selected for their products and processes (Rainey, 2006). It is difficult to change all elements of a supply chain at once. This is why constant improvement often is preferable when trying to develop a more sustainable supply chain (Rainey, 2006, 533). Improving and structuring a more sustainable and beneficial supply chain, suppliers and distributors are working to coordinate the best overall solutions for their integrated systems between upstream providers (*ibid.*, 533). This includes identifying details in the activities and processes between the suppliers and the distributors. Then, by gathering information by developing a holistic overview of the supply chain they can create processes for continuous improvements, now and in a future of their supply chain (Carter & Easton, 2011; Rainey, 2006). Additionally, this improves the collaboration between the different actors in supply chains (Carter & Rogers, 2008, 374). This can make it easier for continuous improvements within supply chains and creates more opportunities to improve social and environmental performances.

Companies that adopt and meet the regulatory requirements and consumers' demands regarding social and environmental issues can gain competitive advantage and gain a sustainable long-term profitability (Savino *et al.*, 2013). There are, however, many challenges and risks in becoming successful with a more sustainable supply chain and to minimize the negative consequences (Maloni & Brown, 2009). These challenges can be difficult to predict and prepare for. Companies can attempt to avoid some of these challenges with standards or informing and training staff of their suppliers and the companies own purchasing employees (Seuring & Müller, 2008a).

⁴ Cradle to grave is a phrase that explains a product's life cycle from extraction of raw material through the entire production processes and use, until the products gets disposed or recycled (Belz & Peattie, 2012)

3.4 Triple bottom line mindsets

As mentioned in 3.1, the TBL includes three different aspects; environmental, social and economic. These three aspects will be explained in more detailed in *Section 3.4.1, 3.4.2, and 3.4.3* below.

3.4.1 *Environmental performance in terms of eco efficiency*

Assumptions about eco-efficiency are that there is a one-way material flow in industrial systems: extraction of raw materials that become products that eventually will be disposed (Braungart *et al.*, 2007). Eco-efficiency seeks to minimize the volume of toxic materials and waste in the production systems. Eco-efficiency is generally “to get more from less”, i.e. to get more value from the services and products with less use of resources (Björn & Hauschild, 2013; Braungart *et al.*, 2007). Products that have a long value period and can serve several customers during the product life cycle can be products with eco-effective solutions (Braungart *et al.*, 2007; Rainey, 2006). A product with high quality but a short life cycle is not regarded as an eco-effective product (Braungart *et al.*, 2007; Rainey, 2006). That means that it does not need to be the quality that decides the eco-efficiency of the product (Rainey, 2006).

In the clothing industry they produce a lot of high quality and high fashion clothes but these are only used a few times which is not efficient (Rainey, 2006, 285). In the development of designing eco-efficient products the production needs to take a broader perspective on what can be made more sustainable in the production process (Rainey, 2006, 493; Rainey, 2010). A more eco-efficient product solution may include; environmental degradation, resource depletion, waste generation and accounted effects on social impacts (Rainey, 2006, 493). These are important factors to consider for companies when producing sustainable products for future use. The product process should be evaluated through a cradle to grave perspective (*ibid.*, 493; Rainey, 2010).

Designing the product with long-term perspectives can be critical for a sustainable eco-efficient product over time (Rainey, 2006). Although, this statement does not need to be correct. Björn & Hauschild (2013) argue that there is no long-term strategy or vision in eco-efficiency and that there is no clear link between sustainability, waste emission and resource consumption. They conclude that an increase in the production of eco-efficient products may increase the consumption levels and that, in turn, leads to a decrease in sustainability (Björn & Hauschild, 2013). This shows that an eco-efficiency focus on short-run production that minimizes the environmental impact may instead cause negative effects in the long run. Eco-efficiency has a focus of optimizing products systems or processes (*ibid.*). With that in mind the eco-efficiency could optimize an unsustainable system to look good in the short run (*ibid.*).

Although the concept of eco-efficiency has a positive environmental connection it is not a guarantee for sustainable development. In this project it is assumed that eco-efficiency work is a good guideline when developing new products, systems, business actives or new technological development. It is supported by Rainey (2010, 526) that states “*Eco-efficiency essentially means maximizing outputs and minimizing inputs of waste (doing more with less)*” By understanding long-term effects that can come from various business decisions and products, the concept of “*doing more with less*”

can have positive improvement on our consumption patterns in both short and long term perspectives.

3.4.2 Social performance

There is evidence that the public attitude increasingly demands that organizations need to adopt a more holistic view on social perspectives (Robins, 2006). Societal needs are extensive today, improving nutrition, healthcare, better housing, financial security, decreasing environmental damage are just some aspects organizations and the global economy can consider improving simultaneously through their business performance (Porter & Kramer, 2011). Another social initiative businesses are using today is nudging. *“Nudge means carefully guiding people behavior in desirable direction without using either carrot or whip. Instead when nudging one arranges the choice situation in a way that makes desirable outcome the easiest or the most attractive”* (Mont *et al.*, 2014, 7). By this the main approach of nudging is to influence human behavior, to make more ethically sound decisions, that can benefit them in daily life situations.

The expectations concerning how cultural and social norms may be approached and followed vary by country, customer segment, industry and marketplace (Awaysheh, 2010). Social value creation applies both in developing countries as in well-developed countries; the opportunities of creating financial and social value differ between countries and industries (Porter & Kramer, 2006). Opportunities exist to create financial and social values for organizations, if they only try to consider them. The social norms are discussed more frequently in today's organizations due to the globalized industry we have today (Daub, 2005). The context of developing sustainable businesses and products that will satisfy customers' needs and demands involves an accurate focus on social performances connected to organizations (Braungart *et al.*, 2007; Daub, 2005). When handling social issues, the performance is both on the societal level and on the individual level, including aspects such as employees' satisfaction, human welfare and safety (Awaysheh, 2010). According to Wolf (2013, 93) one important driver for organizational change towards sustainable development are employees. Employees often have good influence and vast inside knowledge within the organization and can directly express their expectations considering an organizations sustainable development performance (Wolf, 2013). The majority of the employees might not have the insight or knowledge concerning the financial costs for different changes, but still have good suggestions concerning what can be changed.

According to Porter & Kramer (2011) businesses do not need to decrease their economic success when considering social benefits. Positive economic and social performance can go hand in hand and with creating shared values - social improvements can instead increase profits. Porter and Kramer (2011) propose that value creation is a term that business has been focused on during a long time. The value creation has been mostly focused on economical values and not on value creation within social concerns. *“In business we have spent decades learning how to parse and manufacture demand while missing the most important demand of all. Too many companies have lost sight of the most basic of questions: Is our products good for our customers? Or for our customers' customers?”* (Porter & Kramer, 2011, 67). With this concern, business activities are not often performed in an isolated manner

but instead linked to various parts within the TBL, in different ways. Products might be convenient for customers today but can have external effects tomorrow.

To work with other aspects at the individual level in the organizations often implies using management strategies as workforce policies for diversity, personal safety and also product safety to decrease the risk of getting harmed when being in contact with raw materials and products (Awaysheh, 2010). These are important factors for managers to consider when developing, designing, restructuring their business and supply chains (*ibid.*). The social issue is difficult to keep in control for organizations with long and complex supply chains, when the supply chains enter to other countries with different standards (Awaysheh, 2010; Porter & Kramer, 2011). Since the supply chain captures the involvement of more actors in countries with weak legal enforcement for social standards, production also gets outsourced further away from the core business location. This makes it even more difficult to keeping track of all business activities in supply chains (Galli *et al.*, 2012; Porter & Kramer, 2011).

Standards with third part evaluation are tools for organizations with both long and short supply chains to consider. The more the supply chains expand the more important the auditing gets in dealing with social performance (Awaysheh, 2010). This is because the organization also has a third part that controls different actors in their supply chain, which decreases risks that poor working environment occurs. Organizations that include social auditing and engage more in social fairness in their day-to-day business will often effectively achieve good standards within social performance (Daub, 2005). These organizations often need to use fewer resources to change when laws and legislations change in these areas (*ibid.*). Organizations with well-developed processes can have an educational influence on customers, when illustrating what the embedded benefits are of establishing large amount of recognition on social aspects (Awaysheh, 2010). According to Porter & Kramer (2011, 67) business effects that are aimed at creating shared value may benefit society. Production distribution and sales roles are re-interpreted with an understanding of educational effects as a part of a win-win concept for shared value creation.

3.4.3 Financial performances

In the traditional view of management, corporate value creation is descanted in terms of financial performance (Robins, 2006). In a TBL-setting, the financial output is still a key factor, but the stakeholder definition is intended to include more stakeholders than the traditional view (shareholders, owners and employees) (Robins, 2006; Daub, 2005). A wider stakeholder definition and a long-term perspective influence the concept of maximizing value (*ibid.*). Nowadays large environmental improvements can be achieved through new and better technology that can include process efficiency, resource utilization that yield in cost savings (Porter & Kramer, 2011, 69). This can include areas of utilizing energy, water, packaging and raw materials and improving recycling opportunities (*ibid.*, 69). According to Rainey (2010, 284) even though technological improvements has been made on products environmental, economic and social performance, it is still obvious that products still have a large impact on our natural environment and quality of life.

Customer satisfaction could be seen in a wider perspective than before. Many customers consider a more multidimensional and holistic view of assessing products

and services (Daub, 2005). These factors of demand start to include more and more social and environmental aspects in the purchasing decision. It puts more pressure on companies to follow social and environmental aspects in trying to increase the customer satisfaction, both in the long and short run to survive financially (Daub, 2005). Dissatisfaction of costumers can lead to big financial losses when the overall competition on different markets is increasing (*ibid.*), it gets easy for customers to choose other companies and products now. According to Porter and Kramer (2011, 67) “*companies have failed to grasp the importance of the broader business environment surrounding their major operations.*” Businesses that are avoiding any negative environmental and social impacts and instead improving them could be seen as the ones that will manage their financial goals and exist on future markets (Daub, 2005; Shuaib *et al.*, 2014). This is because the costumers’ awareness and demands within these aspects will probably increase more, simultaneously with stricter laws and regulations within these areas. To succeed with shared values or not is up to the businesses to consider opportunities and risks when the market demand is changing and awareness for social and environmental considerations. For businesses it could include the need of changing their whole business process (Daub, 2005; Savitz & Weber, 2006). “*The opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy*” (Porter & Kramer, 2011, 75).

According to Daub (2005); Pagell & Wu (2009, 54) financial opportunities arise when sustainable initiatives occur through the creation of new needs, the expansion of markets, the increase in efficiency etc. (Porter & Kramer, (2011, 67). When organizations can develop and differentiate themselves against competitors in a sustainable practice they can increase profits from those actions (Belz & Peattie, 2012; Daub, 2005). In business this also brings in the aspects that organizations can brand themselves as good within social performance and control the customers’ awareness of what a sustainable business should look like within social issues (Daub, 2005). This is because business marketing can have great influence on costumer’s needs and wants (Porter & Kramer, 2011). To achieve this an organization needs to find new ways to differentiate procedures aiming at sustainable development to find fundamental opportunities (Daub, 2005; Sameer & Valora, 2008).

An essential aspect with financial opportunities is the need for businesses to involve social and environmental aspects into their daily activities in trying to keep up with legislation and demands beyond this (Daub, 2005). Companies that can quickly adapt or are already in front of environmental and social demands have big opportunities to succeed financially in the future (Daub, 2005; Porter & Kramer, 2011)

3.5 A conceptual framework

When focusing on sustainable development, organizations should not focus on financial performances in an isolated manner (Agnus-Leppan *et al.*, 2010; Carter & Rogers, 2008; Robins, 2006; Savitz & Weber, 2006). There are other aspects that need to be included and combined in organizational activities to make ethical sourcing possible and simultaneously improve organizations sustainable development performances. Both social and environmental performances need to be integrated with financial initiatives to flourish sustainable development thinking within organizations, which Eklington’s (1997) TBL framework describes. The TBL

approach can be linked to the majority of strategies and activities that are connected to organizational performance. This is illustrated in *Figure 5*, where the theoretical framework areas are close connected to each other. The factors in the social, environmental and financial circles are hard to compare with each other and assess. The financial circle factors are the convenient circle for businesses to assess and compare with other factors in the circle, because financial factors have one common unit, which is money. Whatever currency the factors are assessed with, it is often possible to compare these factors and decisions with each other, in trying to determine the best solution. The other two circles, which are social and environmental factors, are hard to compare and assess both against each other and between factors within the same circle. These factors are hard to express in monetary values. Instead, organizations need to predict what different outcomes these factors can have and what factors they value more than others. Additionally, when these decisions involve ethical consideration it gets crucial for organizations to make the best possible decision with the knowledge they have. By creating comprehensive awareness within these three circles, it can become less challenging for businesses to compare and assess the circles and factors against each other. This awareness can be crucial to have in decision making by organizations.

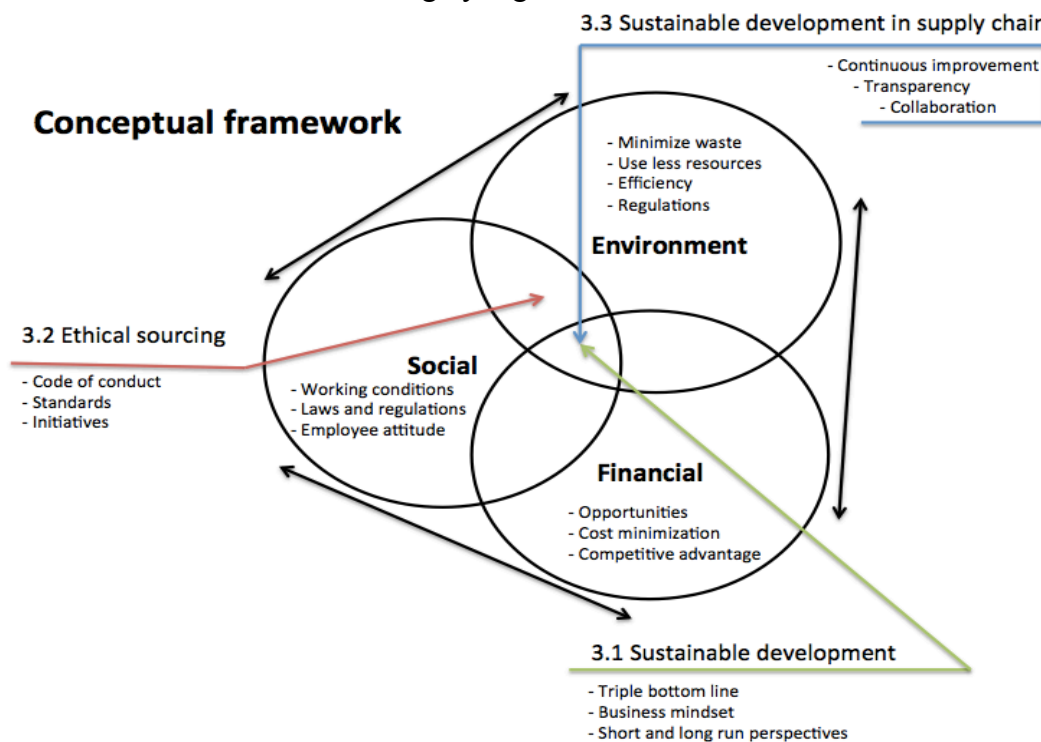


Figure 5. Conceptual framework (based on Carter & Rogers 2008, 365; Elkington, 1997, modified by the author).

The TBL can be applied to all purchasing situations, from individual consumption in a supermarket to industrial large-scale procurement processes. Social, environmental and financial values and costs are balanced and negotiated in each decision. When the purchasing situation refers to an individual choice the effects are relatively limited. However, when a purchasing decision is made in an organizational procurement process it may reflect to large quantities and time commitments. These procurement processes are more exposed and can be crucial for organizations to perform properly according to different initiatives and strategies, which influence organizations values and reputations.

4. Empirical background

To give the reader an understanding of problems and opportunities associated with ethical sourcing within the aspects of the TBL this chapter will briefly account for the context of how organizations work with ethical sourcing when handling their supply chains and purchasing processes. Furthermore, the chapter offers the chapter empirical examples in the area of ethical sourcing.

4.1 Emergence of ethical sourcing

Over the years, businesses borderlines have changed to new perspectives of what is acceptable management in a business context and the same with customer's way of consuming (Rohitratana, 2002). In the 1960s the attitude was within the context of mass consumerism, which in the 1970s developed into regulations that products needed to have certain stated standard of quality. The quality was then focused on what was good for the end customer in general and not considering what happened further down in the supply chain (*ibid.*). In the 1980s increased demand for environmental concern within products and production begun to appear, but still the environmental performance did not play such a significant role. In the 1990s social norms and values started to be a well-exposed topic (Barrientos & Smith, 2007; Dolan, 2005; Rohitratana, 2002). This happened mainly because of child labor scandals and unethical behavior of suppliers in well-known corporations as Nike, Diesel, Disney and GAP (Dolan, 2005). Customers used powerful tools as to boycott these organizations to show their dissatisfaction. These actions resulted in that organizations were forced to take more ethical responsibility and engage more resources on social and environmental performances within their supply chains (*ibid.*).

Organizations are now expected to take responsibility for society in general and not only think of the financial values for their shareholders (Baden *et al.*, 2009). Ethical sourcing for organizations, with a focus of improving labor standards within their suppliers when scouring services and goods, has become relevant and more common (Wright, 2015). CoC is perhaps the most used tool for organizations to address these ethical sourcing challenges (Preuss, 2008; Wright, 2015). Many believe that CoC have a significant role in improving the working environment and labor standards (Barrientos & Smith 2007; Royle, 2010). However, bad working environments and labor scandals are still common problems in many industries where CoC are used. This social irresponsibility has started to give negative effect on organizations when the awareness for unethical practices has increased. Planning and strategic procurement when selecting suppliers and purchasing goods is a crucial part for management today (Chen & Baddam, 2015). Organizations react in different ways when trying to solve these problems. Some boycott suppliers that do not fulfill ethical standards, other try to collaborate and improve these suppliers' working and safety conditions.

4.2 Ethical sourcing initiatives

Although CoC is one of the most used tools to improve social and environmental standards, organizations do use all different kinds of strategies and techniques to improve their ethical sourcing within their business context. Some companies start to realize that marginalized suppliers have difficulties to remain sustainable or productive, and even harder to keep up with quality improvement (Porter & Kramer, 2011). If the companies increase the access for their suppliers with inputs as financing and sharing technology, companies can improve productivity and quality of their suppliers' growing production volumes (Porter & Kramer, 2011). Furthermore decreased prices will often be possible when improving productivity. When suppliers get more effective and stronger their environmental performances can improve. Different companies in different industries have made their own unique contribution to their compulsory ethical sourcing performances. *Table 4* presents a snapshot of how some companies have used different ethical sourcing strategies within their business and industrial context. Furthermore it presents what industry the companies are located in and what ethical sourcing approach they have used and what outcome their ethical sourcing strategic has resulted in.

Table 4. Five examples of ethical sourcing initiatives.

Companies	Industry	Service/product	Approach	Outcome
-Sainbury's - Waitrose	Two of the largest supermarket Groups in UK	Bananas	Only sell 100% Fairtrade certified bananas in their stores (Robinson, 2009)	- Do not let the customers decide what to buy. - Increase demand of Fairtrade bananas - Decrease price of Fairtrade bananas (Robinson, 2009)
Mark & Spencer (M&S)	UK-based retailer	Own M&S label and supply footwear, clothing, foods and home furniture (Johnson, 2004)	Conducted own CoC – Global Sourcing Principles (GPS) to support their subcontractors in other countries (Johnson, 2004, 6).	- Good relationship with suppliers - Improved standards in employment, working environment and other ethical sourcing aspects (Johnson, 2004)
Electrolux, Hewlett-Packard, Braun and Sony	Electronic	All kinds of electronic products	Joint collaboration with rivals, created European Recycling Platform (ERP) for their manufactures (Lee, 2010, 4).	Due to ERP disposal and recycling cost has decreased by 35% in the countries they have manufacturers operating (Lee, 2010, 4)
Max Hamburger	Fast food restaurant	Fast food – mainly hamburgers	- Report product climate impact (CO ₂) directly on the menu (first in the world) - Only use Swedish meat - Tree plantation in Africa to compensate climate impact with 100% (Max, 2012, 5,7)	- Inform guest on climate impact their meal have – has increase sales with 21% on “climate smart” meals - Educate guest that it is the meat and not transports that make largest climate impact (Max, 2012, 4,7)
Starbucks	Restaurant - cafeteria	Coffee	- Noticed their most critical suppliers was in the very end of their supply chain - Implemented an own standard Coffee and Farmer Equity (CAFÉ) for their coffee farmers (Lee, 2010)	- Close relationship with coffee farmers - Increase environmental, social standards and transparency (Lee, 2010) - Only serve 100% ethical sourced coffee by 2015 (Starbucks, 2013, 4-5)

The *Table 4* illustrates that various approaches have been used to ensure ethical sourcing effects, such as the boycott from Sainsbury's and Waitrose concerning conventionally grown bananas, Max Hamburgers that only focus on meat produced in Sweden and boycott cheaper meat from other countries. Others have focused on relationship improvement and education of their suppliers, as Starbucks and M&S. Some also have focused on educational strategies for their customers, as Max Hamburgers, that informs about the climate impact their meal has and that meat has the most significant environmental impact. This can lead to better choices made by their customers in the future regarding meat consumption. Others have improved their ethical sourcing performance by collaborations as the electronic companies example.

Some of these ethical sourcing initiatives in *Table 4* have appeared more successful than others at the time of their introduction and evaluation. Sainsbury's and Waitrose that focus on only selling Fairtrade bananas, made conditions harder for the banana producers (Robinson, 2009). In the banana supply chain is it difficult for ethical sourcing initiatives to take place, including improved working conditions, good terms of trade or environmentally friendly farming (*ibid.*). This due to supermarkets' power to continuously push the banana price down to compete with other big supermarket actors on the market (*ibid.*). When Sainsbury's and Waitrose demanded price reduction of bananas to compete with the regular banana price against the other supermarket giants on the UK market. This price reduction made it hard for the Fairtrade banana suppliers to manage the TBL tradeoffs of ethical sourced produced bananas. This can be compared to the Starbucks own CAFÉ standard that has turned out to be very successful, when focused on close collaborations with their farmers. "*Most coffees is grown by small farmers in impoverished rural areas of Africa and Latin America, who are trapped in a cycle of low productivity, poor quality, and environmental degradation that limits production volume*" (Porter & Kramer, 2011, 70). By the CAFÉ standard Starbucks has increase the productivity of the coffee farmers and also improved the social and environmental standards (Lee, 2010).

Lee (2010) thinks that organizations need to include a more holistic approach to their sustainable development strategy. This can be done by collaboration and relationship building with business partners that can create new business opportunities (Lee, 2010; Murray *et al.*, 2010; Roloff, 2008). Collaboration is good to use in projects that companies have difficulties to engage in alone (Murray *et al.*, 2010). Often, when focusing on a specific problem within a large-scale project, collaborating with other partners can be a good tool to use (*ibid.*). Some sustainable development challenges are too extensive for a business to manage on its own (Lee, 2010). Therefore it can be useful to find collaborations with other businesses and supply chains, which consume similar resources and use the same material. This can transform cost-efficient solutions and increase the companies' sustainable development focus. An advantage from collaboration is often that companies can solve complex challenges that they have hard to manage by them self (Lehr, 2010).

4.3 Purchasing and internal collaboration

Larger outsourcing of organizational production has changed the expectations from stakeholders that organizations get involved with, such as general public, customers, NGOs (Goebel *et al.*, 2012). These stakeholder do not only put pressure on organizations to take responsibility for their own actions any more, they must also be responsible for the actions within their whole supply chain (Jiang, 2009). When large corporations cannot control their own suppliers and manufacturers' supply chain. Difficulties arise for procurement managers in general in B2B situations increase when trying to manage ethical sourcing in their choice of product procurement (Maignana *et al.*, 2002). Purchasing managers are often expected to buy goods for minimum prices and still ensure that goods are produced with environmental and social concerns within all steps of its supply chain (Goebel *et al.*, 2012). These criteria are hard to match when sourcing for goods with the lowest price possible. Due to businesses constant pressure of cost reduction it is hard for suppliers to handle the tradeoffs pressure for cheap production and good working conditions (Wright, 2015). The short-term tradeoff focus, when comparing social and environmental performance with cost, can instead damage organizations long-term performances (Chen & Baddam, 2015).

Schneider & Wallenburg (2012) state that in order for organizations to implement good ethical sourcing in purchasing situations, the purchasing management needs to coordinate efforts internally in their organization, in order to understand the business functions and increase the value of the ethically sourced goods and not only consider important stakeholders demands (*ibid.*). One crucial part is how we use the in-house products or services as well. It might not be enough to only focus on purchasing ethically sourced products. Organizations also need to strategically form their internal processes as well, to get the most out of the product and to inform the customer about what an ethically sound decision is.

4.4 Influencing ethical choice through business activities

Nudging is an area that has started to flourish the last couple of years when more focus has been put on sustainable development. The approach of nudging is to influence human behavior, to make more ethically sound decisions.

This can be compared to the Max Hamburger example when they arrange climate smart choices on their menu and inform about the meat's environmental impact. Furthermore, these initiatives can influence the customers to make other ethical good choices unconsciously. Nudging has been used as a sales promotion and business-marketing tool, but not in this area it is starting to take form in now, when trying to make people to make more unconscious sustainable decisions (Mont *et al.*, 2014).

Some hotels in the hospitality business use nudging initiatives in their daily business. One known strategy has been used for a long time is to influence guests that stay more than one night at hotels to use their towels more than one day at the hotel. Goldstein *et al.*, (2008) conducted a study of what to write on the information sign to influence guest to reuse their towels during their stay at hotels. Instead of using signs with an impersonal text as "*you preserve the environment if you use your towel more*

than one time” (*ibid.*, 473), which is often perceived as the hotel wants to save extra money and not wash towels as often. Goldstein *et al.*, (2008) found that a more personal text as “majority of guest reuse towels in this room” (*ibid.*, 474) increased the reuse of towels at the hotels.

A study of nudging in the hospitality business focused on lunch and dinner buffets at Hotels (Kallbekken & Saelen, 2013). They decreased the size of their plates from 24 to 21 cm (average plate size is 24 cm) (Kallbekken & Saelen, 2013, 326). This led to that the food waste on average decreased by 19.5% (*ibid.*, 326). Kallebekken and Saelen (2013, 326) did another study on hotel buffets as well by putting up a sign on the tables and on buffet tables. They used the sign of “Welcome back! Again! And again! Visit our buffet many times. That is better than taking a lot once” (*ibid.*, 326). By these signs the food waste reduced by 20.5% at their seven case study hotels compared to the data collected before using the sign (*ibid.*, 326).

There are a multitude of areas in the hospitality business that can focus more on nudging and influencing people to make better choices, which also can influence society in general. A lot of the activities at hotels are closely connected to the private activities at people’s homes e.g. areas of water, energy, food and cosmetic product consumption. This makes initiatives of nudging interesting and effective to use at hotels.

4.5 Hygiene and cosmetics products

Hygiene and cosmetic products are products that people use in many different varieties. These products are included in fast moving consumer goods (**FMCG**) category (Nagarajan & Khaja, 2013). People use large amounts of cosmetic products every day and many times a day (Nordic Ecolabelling, 2015). A cosmetic product is a preparation or substance that is used in contact with the human body’s different external parts e.g. hair, lips, external genital organs and nails (Cosmetics Europe, 2004; CPNP, 2013; Nordic-Ecolabelling, 2015). S&S is included in this product category. Ensuring ethically good S&S-products requires a holistic approach throughout the S&S-products’ entire life cycle, from choice of raw material to waste management (Cosmetics Europe, 2004, 2; Nordic-Ecolabelling, 2015, 8). S&S lifecycle is illustrated in *Figure 6* below.

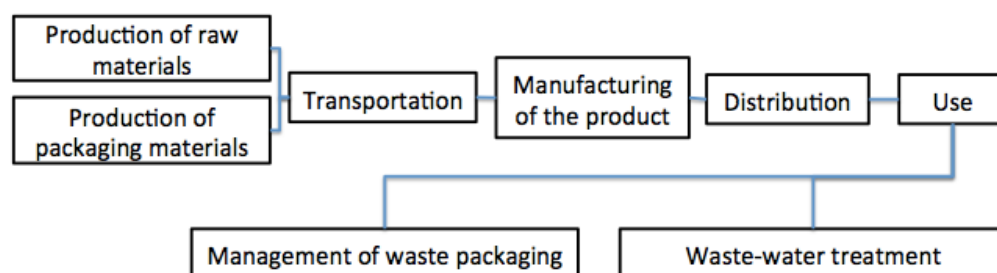


Figure 6. The lifecycle of soap and shampoo (Nordic-Ecolabelling, 2015, 8).

S&S products include both non-renewable and renewable raw material (Cosmetics Europe, 2004; Nordic Ecolabelling, 2015). The non-renewable raw materials are in some extent limited because the materials are extracted from fossil oils. The renewable raw materials are provided from natural processes. Even if the demand for

renewable substances is supported, it still has many complications (*ibid.*). There are challenges in the traceability for renewable raw materials. Manufacturers find it difficult to receive decent documentation of what kind of renewable organic raw material has been used (Nordic Ecolabelling, 2015). The raw materials in S&S products are often a mixture of different sources of material, depending on the selection of supply that are available in the extraction paths of these raw materials (different raw materials fulfill the same function) (*ibid.*). This results in that manufacturers can include renewable raw materials that are not included in the documentation.

It is uncertain if the production of S&S is contributing significantly to the aspect of global warming (Bocken *et al.*, 2012; Nordic Ecolabelling, 2015). Assumptions are that cosmetics manufacturers have a limited use of the total fossil fuel consumptions (Nordic Ecolabelling, 2015). S&S product life cycle within manufacturing has normally not had that relevant environmental burden as other products life cycles (Ammenberg, 2012; Bocken *et al.*, 2012; Nordic Ecolabelling, 2015). Processes included in the life cycle of S&S are not very energy consuming. As a result of that manufacturing impact is small on S&S, it is hard to compare the environmental impact in the production processes between different S&S products (Nordic Ecolabelling, 2015). Instead, it may be that other factors that are connected to S&S might have a larger impact on the environment (Bocken *et al.*, 2012).

4.5.1 Packaging of soap and shampoo

The packaging of S&S can have a significant effect on the environment (Bocken *et al.*, 2012; Nordic Ecolabelling, 2015). This applies mostly to the packaging/containers that have a high ratio compared to the volume (small containers with small volume has a higher ratio compared to large containers with large volume). Many S&S are using more material packaging than necessary (Nordic Ecolabelling, 2015). Therefore it can be more relevant to have requirements on packaging material than on the production process of the S&S.

4.5.2 The soap and shampoo context of use

Another factor that can have additional environmental impact besides the S&S is the context the products are used in (Bocken *et al.*, 2012; Nordic Ecolabelling, 2015). This includes the amount of S&S that is used, water consumption, energy consumption when heating up hot water, etc. This is something companies have less control over because the S&S are mostly used at home or in other private places (Bocken *et al.*, 2012; Nordic Ecolabelling, 2015). What companies can do with consumer behavior in these areas is to design packing so they emit the required dose of liquid S&S per actual push. This can be controlled by dispensers (ACA Cosmetic International, 2015; Nordic Ecolabelling, 2015). Nevertheless there still is a risk that the consumers push more than one time and then overdose. Packaging that does not have a dispenser is more difficult to control (Ammenberg, 2012; Bocken *et al.*, 2012; Nordic Ecolabelling, 2015).

⁵ The amount of S&S compared to the size of container.

5 Empirical Study

This chapter presents the empirical results from the case study of NCH. The data is collected from interviews, documents and statistics of S&S consumption at NCH.

The chapter presents NCH and the interviewees' view of running a hotel business with the viewpoint of sustainable development including financial, social and environmental performances and what ethical sourcing aspects to include when purchasing S&S.

NCH is an organization that continually strives to improve their social and environmental performances with different initiatives and strategies. *Table 5* below presents some of their initiatives during the last years.

Table 5. Social and environmental initiatives performed by Nordic Choice Hotels.

Project	Action	Result
Rainforest preservation	Every guest night is involved in preserving 100 m ² rainforest	In 2012 NCH preserved 549 820 m ² of rainforest (NCH, 2012, 9)
Boycott food	In 2012 NCH decided not to serve scampi, foie gras or any other endangered species at their hotels (NCH, 2012, 10)	"If everyone does their part, there will be big results" (NCH, 2012, 10)
Boycott palm oil	Quality Hotel Fredrikstad was the first NCH to serve all food free from palm oil (NCH, 2012, 10)	In 2015, all hotels are palm oil free
Purchase organic eggs	In 2012 NCH decided to only purchase organic eggs from free-range hens	Purchase about 6,5 million eggs from free-range hens each year (NCH, 2012, 10)
"Recently Arrived Refugees Quickly at Work"	Three month Internship at selected NCH for newly arrived refugees, that are part of the introduction program at local governments	75% of the participants that completed the internship have been offered a job at NCH. Ambition is that this program should take place on all their hotels (NCH, 2012, 10)
Decreased food waste	Reduced the size of the plates used by guests at buffets	Decreased food waste with 20% (NCH, 2012, 10)

Table 5 shows that small changes in a large organization can make a big difference both in how to include society when conducting business or change small routines in the buffet. But also in purchasing situations when changing from one product to another can make a large impact.

5.1 Sustainable development - a triple bottom line mindset

Working with sustainable development initiatives is an important factor for NCH. The travel and transportation industry account for about 1/3-1/4 of the world's emissions (pers. com., Killie, 2015). Furthermore, the NCH's business idea is dependent on people traveling, so they are part of a problem and therefore they also should be part of the solution (pers. com., Killie, 2015; per. com., Stenbeck, 2015). To make this solution part of their business idea could hopefully also result in competitive advantages and make their business more profitable. Still Stenbeck (pers

com., 2015) is concerned about that the economical factor is not included enough when “sustainability professionals” talk about the triple bottom line and that economic factors are dominating the way of thinking among those who do not work with sustainability. He also points out that the majority of companies exist to be profitable and that is something people have to keep in mind when talking about sustainable development. This also applies to NCH. He states that NCH think it is good business to work with sustainable development (pers. com., Stenbeck, 2015). Sustainable development is interpreted in different ways by people and in different industries (*ibid.*). Table 6 below shows a short presentation of the interviewees’ view on sustainable development and the NCH sustainable development concern. To gain a greater understanding of the interviewees work positions, it is presented in Section 2.4.2.

Table 6. Sustainable development viewpoints, expressed by employees of the NCH.

Interviewee	Business title	Sustainable development viewpoint
Cathrine Dehli	Head of Sustainability	<p><i>”Sustainable development for me is to operate business in a way so that future generations will have the same opportunities as we have today.”</i></p> <p>We at NCH want to include environmental and economical aspects within our business model and always work with these factors.</p>
Gustav Stenbeck	Director Sustainability & Security	<p>It is important to work with environmental and social factors within the context of our business. <i>“We see sustainability as part of our business model, in a way you can take responsibility and still make good money.”</i></p> <p>It is also important to know that we can always be better and that we can take even more responsibility than we do today.</p>
Erik Killie	Manager sustainability & energy	<p>If society and sustainable development thinking develops in the same pace then we will be able to see problems before they occur.</p> <p><i>”If you already know the environmental consequences before starting a project you can reduce these consequences before the project starts”</i></p>
Mikael Ljunger	General Manager	<p>If we use our resources in the right way, we can contribute to sustainable development.</p> <p><i>“Sustainable development is allowed to cost money.”</i></p>
Josefin Ligné	Director of brand & projects	<p><i>“Sustainable development has gone from being a ‘add on’ to a hygiene factor and a new way of living.”</i></p> <p>If companies do not keep up with this increased awareness about sustainable development, companies will lose market opportunities and fall behind.</p>

The founder of NCH said that *“It isn’t just about scoring goals, it’s about scoring goals in the right way!”* (CoC NCH, 2013, 3). It is within this context many of the interviewees interpretation their view of sustainable development, which is presented in Table 6. They indicate that sustainable development is a part of NCH business model and that it is allowed to cost money. Simultaneously they think there are big financial opportunities that the NCH can take advantage of when focusing on sustainable development initiatives, which results in scoring goals the right way.

5.1.1 The Nordic Choice Hotels view of financial performances

NCH do not see any contradiction of being a large organization that makes good money while taking responsibility (pers. com., Dehli, 2015; pers. com., Killie, 2015; pers. com., Stenbeck, 2015). You can always make more money or take more responsibility (pers. com., Stenbeck, 2015). That can always be discussed.

Apart from this customers in the hotel business do not necessarily need to have the same strong demand on the hotel businesses to focus on these areas as other businesses have from their customers (pers. com., Dehli, 2015). Hotel guests often demand price, quality and other factors before considering sustainability factors (pers. com., Killie, 2015). “*Hotels are often seen as a luxury service. If you stay in a hotel you expect thick towels and nice disposable products*” (Pers. com., Stenbeck, 2015). It can be hard sometimes to meet guests’ demand of luxury service and at the same time take environmental responsibility. It is not always that these factors are opposed to each other but sometimes they are (*ibid.*). This is why NCH need to find ways where they can take away or change factors that guests do not notice. This is something they continuously work with (pers. com., Stenbeck, 2015). The important thing for us is that “*We can show that it is possible to run hotels with a sustainability concept*” (pers. com., Killie, 2015) and simultaneously make money.

5.1.2 Nordic Choice view of social and environmental performances

It is important for all companies to take environmental responsibilities regardless what industry they are in (pers. com., Junger, 2015; pers. com., Ligné, 2015). Business manager need to take responsibility and not only focus on short-term profits (pers. com., Junger, 2015). NCH has roughly 12 000 employees and many want to work in an organization that takes responsibility within sustainable development (pers. com., Stenbeck, 2015). So it is important that top management focus on long-term perspective and tries to get everyone in the organization involved (pers. com., Delhi, 2015; pers. com., Junger, 2015).

With almost 7 million people living at their hotels every year, they also have easy access to communicate their environmental performances to the guests (pers. com., Ligné, 2015; pers. com., Stenbeck, 2015). They are trying to communicate this information on their webpage, social media, sustainability report, and in their hotels (pers. com., Dehli, 2015; pers. com., Killie, 2015; pers. com., Stenbeck, 2015). Still, guests do need to feel that they can stay at their hotels without getting too much environmental performance “pushed down their throat” (pers. com., Stenbeck, 2015). Simultaneously, the information needs to be given to guests that actually are interested in their environmental commitment. A lot of the environmental responsibilities that NCH takes the guests do not even notice (pers. com., Killie, 2015; pers. com., Ligné, 2015). However, if NCH had not taken these responsibility actions the guests had probably noticed it (*ibid.*). This is because people often find it easier to spot negative factors than positive factors (pers. com., Ligné, 2015). So NCH is constantly trying to improve themselves in different areas of their business.

5.2 Nordic Choice Hotels choice of cosmetic products

NCH is a large actor on the market and have power to make changes within many different areas that are included in hotel businesses (e.g. chemicals, food, water, energy) when improving their environmental performance (pers. com, Killie, 2015; pers. com., Ligné, 2015). It is important to make good decisions about all the different products that the guests come in direct contact with e.g. food, cosmetic products, towels, beddings (pers. com., Dehli, 2015), both for the guests' experience of the hotels and also as important communication factors. Junger (pers. com., 2015) means that NCH need to deliver good products to their guest to show that their sustainable development concern is reliable.

The choice of products is important as NCH make a choice of what products the guests will use when staying at the hotels (pers. com., Killie, 2015; pers. com., Junger, 2015). It is essential to find products that are satisfying and possible to use for the majority of the guests (pers. com., Killie, 2014). The products should not include any harmful substances that can affect the guests' health (pers. com., Killie, 2015; pers. com., Ligné, 2015; pers. com., Stenbeck, 2015). It is important to show why NCH have chosen these products and that they think they are good products. If NCH choice of products is good, it can increase the guests' experience of the hotels. Furthermore, this can also influence guests to make the same choices at home and maybe change their consumption behavior to some extent (pers. com., Dehli, 2015; pers. com., Killie, 2015; pers. com., Ligné, 2015). Killie (pers. com., 2015) believes that it is important not only to choose products that are named green, organic or natural. In some extent all products are natural in one way or another, so it is important to know what kind of environmental friendly products to buy. In a purchasing situation you need to assess the products more than only to choose by their names. There are a lot of other aspects to consider as well.

5.2.1 Assessment of soap and shampoo

The basic function of S&S is to make people clean. After fulfilling this expectation of functionality you can focus on the ethical factors of S&S (pers. com., Stenbeck, 2015). A general assumption that people have, is that the more foam a S&S product generate the cleaner you will become (pers. com., Killie, 2014; pers. com, Stenbeck, 2015). Ligné (pers. com., 2015) thinks it is challenging to find a soap that fits with NCH standards and is not too expensive. *Table 7* below presents what general expectations the interviewed employees at NCH thinks are important when purchasing S&S to the hotels.

Table 7. General functionalities that soap and shampoo should have.

Environmental	Social	Financial	Employee
Environmentally friendly	Healthy and pleasant for the skin and smell good		Dehli, 2015; Ligné, 2015; Junger, 2015; Stenbeck, 2015
	Smell good	Good price	Dehli, 2015; Ligné, 2015; Junger, 2015
Well-known eco-label; palm oil free	Easy for cleaning staff to change		Ligné (2015)
Dispenser/container		Dispenser/container	Dehli, 2015; Killie, 2015; Ligné, 2015; Junger, 2015; Stenbeck, 2015

S&S can be a complicated factor and there are many aspects to consider when assessing and deciding what kind of S&S to purchase and use at the hotels. With around 7 million guest staying at NCH each year a lot of showers are taken and a large amount of S&S is used (pers. com., Stenbeck, 2015). By purchasing a S&S that washes off fast might lead to decreased water consumption (pers. com., Killie, 2015; pers. com., Junger, 2015). Another important factor is what container and dispenser the soap is delivered in, both in the view of functionality and recycling (pers. com., Dehli, 2015; pers. com., Junger, 2015; pers. com., Killie, 2015; pers. com., Ligné, 2015; pers. com., Stenbeck, 2014). Dispensers are better to use then the “small single packed soap containers” (pers. com., Dehli, 2015; pers. com., Killie, 2015; pers. com., Stenbeck, 2015). With dispensers you can control how much soap each ‘push’ should give in trying to counteract overdosing (pers. com., Killie, 2014; pers. com., Ligné, 2015).

Killie, (pers. com., 2015) thinks the best solution is bottles that can be refilled, to get less waste. Dispensers are also good, but there will always be soap left in the refill package even if you cannot get any more soap from the dispenser. Another example is that the cleaning staff often changes to a new package in the dispenser before it is totally empty. Junger (pers. com., 2015) disagrees with this. He thinks the containers should be hygienic, that the containers must be sealed so the guest cannot come in contact with the soap without using the dispenser. This is to avoid that a guest can add other substances into the container, which is possible to do with refill bottles. S&S can be a complicated factor and there is a lot of work for improvements in this area (pers. com., Junger, 2015); both in the purchasing situation, within the environmental factors and experiences for the guests.

5.2.2 Assessment of suppliers and purchasing

All S&S are purchased from NCH central suppliers (pers. com., Dehli, 2015; pers. com., Killie, 2015). These suppliers have been chosen for a reason and NCH has a long-term collaboration with them (pers. com., Stenbeck, 2015). The majority of the interviewees put trust in these suppliers (pers. com., Junger, 2015; pers. com., Ligné, 2015; pers. com., Stenbeck, 2015). Killie (pers. com., 2015) is not sure if he trusts NCH suppliers to 100%. This is because they haven’t always received what they ordered. It has happened that central suppliers recommend products to their hotels that have not been accepted by the NCH procurement management. According to Ligné (pers. com., 2015) NCH do boycott suppliers that do not fulfill NCH standards. When assessing suppliers you need to consider two different standards, he says; product standard and the supplier’s sustainability standard (pers. com., Dehli, 2015). A high quality end-product does not necessary need to be accepted by NCH. If the product is produced without ethical consideration and poor conditions then the product will get a poor rating from NCH. These procurement processes are important to be familiar with when making decisions about what products and suppliers to use. This is because the purchasing decisions for NCH often reflect on large quantities of the specific products that have been selected.

5.3 Consumption at the Nordic Choice Hotels Sweden

NCH is a large organization with many hotels, which also means a large consumption of S&S. This section will present the annual data of S&S quantities that have been consumed at all NCH located in Sweden during the years of 2010-2014. Additionally, data on water consumption is also presented, as well as total amount of guest nights⁶, total cost for S&S products and the quantity of S&S containers that are used. Something to consider when assessing this data is that none of these factors are isolated to only hotel rooms and toilets where their S&S are mostly used. The data is on the total quantity of the annual consumption in all NCH including e.g. hotel rooms, kitchen, restaurant, and spa. However, each year the method for calculation is the same so there should be no differences on the results in general. One more general aspect to consider is that the S&S data is on the total purchasing quantity for each year during 2010-2014. So the S&S that was purchased in e.g. 2010 can have been used to some extent in 2011, and S&S purchased in 2011 can have been used in 2012. Nevertheless in this data evaluation the researcher has isolated the purchase quantity for each year as the total consumption of S&S. *Table 8* shows all different kinds and sizes of S&S that the NCH has purchased over the years 2010-2014. The individual and overall quantity of containers purchased of each S&S can also be found in *Table 8*.

Table 8. Total quantity of containers consumed annually 2010-2014 (pers. com., Killie, 2015).

Total Sweden		2010	2011	2012	2013	2014	2010-2014
Description	Size	Quantity	Quantity	Quantity	Quantity	Quantity	Total container
Hand soap 300 ml	300 ml	41 524	37 436	28 308	15 512	9 884	132 664
Hand soap 250 ml	250 ml		1 536	9 168	22 872	27 432	61 008
Shampoo/shower gel 250 ml	250 ml		6 504	17 232	38 112	50 520	112 368
Shampoo/shower gel 300 ml	300 ml	71 540	58 548	40 908	22 260	14 084	207 340
Soap/bath/shower/shampoo 5 lit	5 liter	356	380	486	486	422	2 130
Hand soap 325 ml	325 ml	18					18
Hair Body Hands 325 ml	325 ml	32 490	35 028	39 834	53 532	69 696	230 580
Shampoo Miko 30 ml	30 ml	49 500	61 500	3 300	3 600	3 600	121 500
Hand soap 325 ml	325 ml	6 678	10 764	16 740	14 436	15 174	63 792
Hair,Body, Schampo 325 ml	325 ml	16 704	30 204	38 430	39 096	44 874	169 308
Shampoo 30 ml CLARION COLLECTION	30 ml					3 000	3 000
Hotel Shampoo 30 ml CLARION HOTELS	30 ml					134 200	134 200
Hairshampoo Eco DZ	30 ml					13 200	13 200
Shower soap Eco DZ	30 ml					10 800	10 800
Total Quantity container		218 810	241 900	194 406	209 906	396 886	1 261 908
Percentage +/- of quantity containers year to year			10,55%	-24,43%	7,38%	47%	

The NCH have used 14 different kinds of S&S over these five years and an average of 9,6 different kinds of S&S each year. A total of 1 261 908 containers of different brands and sizes have been used during this five year period. This simultaneously leads to a large amount of waste, especially plastic that the containers are made of. A report of ADA Cosmetics International (2015), within the Swedish hospitality industry shows that if hotels offer solid portions of liquid⁷ S&S the cost increases for hotels because these products often need to be replaced each day and have a higher

⁶ NCH counts one guest night as, one night for one person staying at their hotels.

⁷ Solid portions of liquid S&S – is a small container of S&S that is only used by one guest per guest night, and then it gets replaced with a new one.

price per liter. According to ADA Cosmetics International (2015), these solid portion containers go from a size of 10 ml (low budget) to 50 ml in Europe. The NCH use solid portions of liquid S&S in some hotels. These containers have the size of 30ml and can be seen in *Table 8*. This size of solid portions is a quite standard size of small containers (ADA Cosmetics International), but still might not be good to use in a TBL approach. The data in *Table 8* shows that 2012 and 2013 were the years when the lowest amount of 30 ml containers were purchased to the hotels compared to the years of 2010, 2011, and 2014. As a result, these two years have the lowest quantity of total purchased containers and 2014 has significantly the largest quantity of purchased 30 ml containers. This year the NCH also started to buy four new brands of 30 ml containers compared with the other four years.

Table 9 beneath presents the total amount S&S in liters that is purchased in NCH Sweden each year 2010-2014. Additionally, *Table 9* displays how much S&S are used per guest night. The average use of S&S, if both are liquids in the Swedish hospitality industry, is 5 ml for a hand wash and 15 ml for shower. This would give a total consumption of 20 ml or more per guest night, if considering that all guests take one shower each day and washes there hands with soap more than once each guest night (ADA Cosmetic International, 2015).

Table 9. Milliliter soap and shampoo used per guest night (pers. com., Killie, 2015).

Total Sweden Year	S&S Liter	Guest night	ml/Guest night
2010 Sweden	55348,45	2662151	20,7909
2011 Sweden	59248,90	2953779	20,0587
2012 Sweden	60770,10	2765560	21,9739
2013 Sweden	63911,40	3294934	19,3969
2014 Sweden	75899,20	3645432	20,8204

Although the largest amount of containers were purchased in 2014, similar amounts of ml/guest night were used compared to the other years. While 2012 that had one of the lowest container quantity had the largest use of S&S with 21,97 ml/guest night even when they used one of the smallest quantity of 30 ml containers. This shows that using 30 ml solid portions containers do not need to increase the S&S consumption at NCH in Sweden. Furthermore the NCH consumption of S&S ml/guest night is similar to the statistics from ADA cosmetic International. The cost of S&S/guest night is between 1,067-1,220 SEK, see *Appendix 4*. During 2014, the year that has the largest consumption of 30 ml S&S packages also has the second highest cost of S&S per guest night. Furthermore, 2012 with the lowest amount of 30 ml S&S packages consumed is the year were S&S cost the most per guest night. The lowest quantities of 30 ml containers are 2012-2013 these two years have the second and third highest cost for each liter of S&S. This result in that the years of 2010-2011 when there was purchased significant more 30 ml containers then 2012 still has a lower price per S&S/guest night. The year 2012 stands out in the data assessment, if not considering 2012, the conclusion from NCH data that the use of solid portions of liquid S&S containers increases the costs and use of S&S per guest nigh can be drawn. When including 2012 in the data assessment, the five year data shows there is no correlation that the purchase and use of solid portion S&S containers are significantly more costly than the purchase and use of larger containers per guest night - only that the new 30ml solid portion containers NCH started to purchase has increase the overall cost for S&S.

6 Analysis

In this chapter the findings of the empirical study of NCH will be analysed with the theories presented in *Chapter 3* with main focus on the conceptual framework that was developed in *Section 3.5*.

6.1 Sustainable development in practice

According to NCH's annual report, they focus on PPP when they conduct their business. PPP is in line with what Elkington (1997) established with the TBL framework for sustainable development. By taking this action, organizations do not only focus on financial performance but also involve environmental and social activities in the organizational performances (Carter & Rogers, 2008; Robins, 2006; Savitz & Weber, 2006). These activities should be considered together and not be isolated from each other, when planning and making decisions. Furthermore, it is preferable to implement these activities already in the starting stage of an organization or project. If you already know different consequences before starting a project, the consequences can be reduced before starting the project (Pers. com., Killie, 2015).

If businesses do not have good financial status it can be hard to focus on social and environmental aspects when their biggest challenge is to survive financially. The NCH is a large organization with financial stability and power. This increases their opportunities to get engaged in more social and environmental responsibility. Due to their financial stability they can put more focus on these areas without jeopardizing their financial status in the short run which also can lead to improved financial performances in the long run (Carter & Rogers, 2008, 365; Norman *et al.*, 2004; Porter & Kramer, 2011; Savino *et al.*, 2013). The NCH also include social and environmental responsibilities in their business model because they mean that there is nothing wrong to take responsibility and to make good money (pers. com., Dehli, 2015; pers. com., Ligné, 2015; pers. com., Stenbeck, 2015).

Nonfinancial reporting is frequently demanded by different stakeholder groups such as non-governmental organizations, customers and governments (Robins, 2006; Wolf, 2013). This might also have influenced the NCH to include sustainable development factors in their business model. Difficulties are that hotel guests often demand other factors such as quality and price before sustainability initiatives at hotels (pers. com., Killie, 2015; pers. com., Dehli, 2015). This leads to that other businesses might have stronger customer demand to focus on social and environmental aspects compared to NCH (pers. com., Dehli, 2015). The hotel industry is often considered as a luxury service with disposable products and thick towels (pers. com., Stenbeck, 2015), a place where you do not need to think about the cost of food and water consumption, of long shower or hot baths, except for the fixed cost you pay for the hotel room. Changing different environmental and social activities at hotels might decrease the guest experience of the luxury service that the guests were expecting. Products as beddings, towels and cosmetic products are products that hotels decide for the guests. It is important for NCH to do favourable choices when it comes to quality and sustainability.

It can be difficult for hotels to offer sustainable services/products, which will also be perceived as luxury for their guests. Finding the balance between a luxury product that increases the guest experience and at the same time is a good ethical source product and additionally not too expensive can be difficult for the purchasing managers to find. These factors do not always need to be opposed to each other but sometimes they are (Pers. com., Stenbeck, 2015). This is why the product procurement process needs to be conducted in the favourable way before making a purchasing decision for NCH.

6.2 Considering sustainable development at Nordic Choice Hotels

In *Section 3.5* a conceptual framework was developed to analyze NCH consideration of sustainable development and ethical sourcing to determine how they should operate in a procurement process when assessing S&S in a purchasing situation.

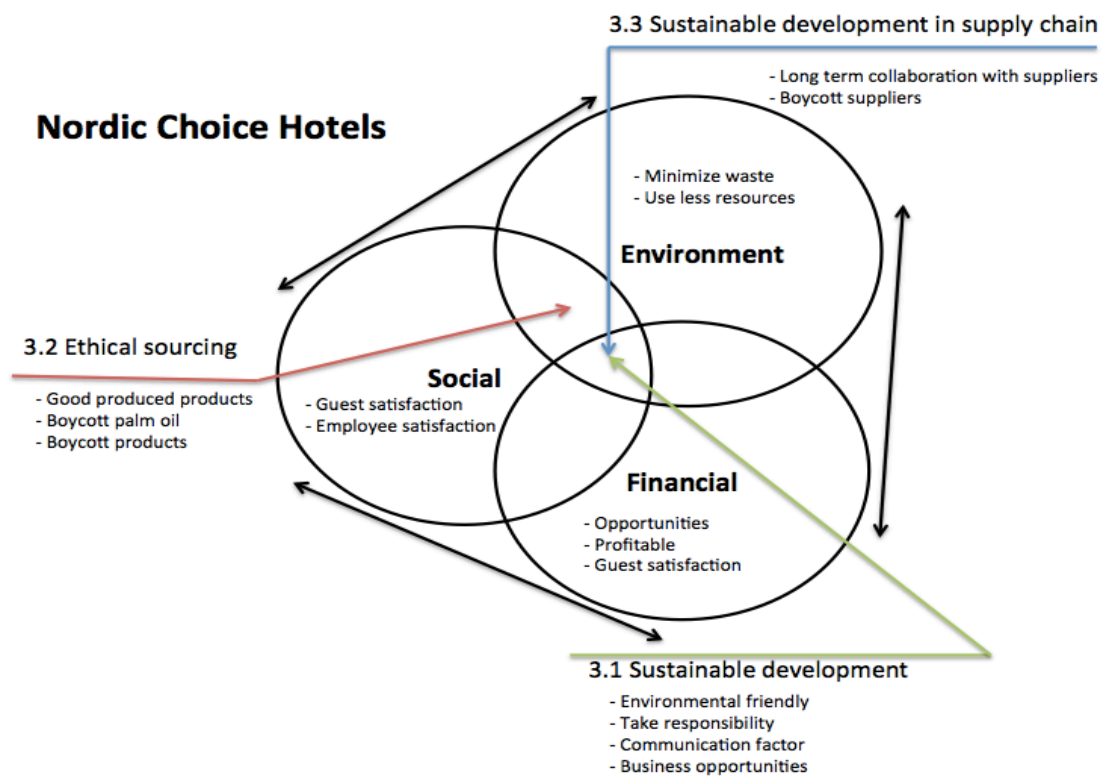


Figure 7. Framework of consideration factors for the case organization.

Figure 7 is a summary from the empirical study conducted from interviews to identify what NCH consider is most important within the context of sustainable development and ethical sourcing in their organization. This analysis is based on Eklington's TBL model, with some additions, to show where other important theories are located with sustainable development thinking. Sustainable development is interpreted in different way in different industries (Jaya, *et al.*, 2010; Phillis & Andriantiasholiniaina, 2001). Many businesses include the TBL aspects in their sustainable development thinking but emphasize different aspects of the TBL. Using

a conceptual framework can be seen as a comprehensive way of analysing empirical findings with the chosen theories and frameworks.

6.2.1 Financial performance

When talking about sustainable development it is important to keep in mind that the majority of companies exist to be profitable (pers. com., Stenbeck, 2015). However, there are many researchers that argue that financial opportunities can occur when improving environmental and social performances (Belz & Peattie, 2012; Daub, 2005; Pagell & Wu, 2009; Porter & Kramer, 2011; Sameer & Valora, 2008; Shuaib *et al.*, 2014). According to Killie and Stenbeck (pers. com., 2015) the NCH want to show that it is possible to run hotels with a sustainable development mind set and simultaneously be profitable. They mean that working with a sustainable development mind set within their business model could probably result in competitive advantage against other hotels, which also will make their business more profitable. Some indicate that differentiation within sustainable practices against competitors can lead to increased financial performances (Belz & Peattie, 2012; Daub, 2005; Porter & Kramer, 2011). Still, it is more difficult to assess the social and environmental performances than the financial performances (Norman *et al.*, 2004; Slaper & Hall, 2011; Wolf, 2013). This can be the reason why hotel guests often demand price and quality before sustainable development practice. The sustainable development practice can be hard to recognize compared to the price that affects the guest financially right away. The traditionally view of quality has been characterized as a luxury service with high consumption patterns (pers. com., Delhi, 2015; pers. com., Stenbeck, 2015). With the increased demand from different stakeholders on more social and environmental responsibility together with good communication at hotels the view of quality might shift towards a more sustainable development quality thinking among the guests in the future. This is because business marketing can have great influence on costumers' needs and wants more than what governments are able to do (Porter & Kramer, 2011).

6.2.2 Social performance

Often when researchers describe social performance within the TBL framework they frequently focus on the ethical sourcing aspect such as working conditions, wages and child labour within suppliers in less developed countries (Blowfield, 2000; Carrigan & Pelsmacker, 2009; Porter & Kramer, 2011). In these countries the laws and regulations are most often less strict, which usually leads to bad working conditions. For NCH, of what was concluded from the interviews, social performances are mostly about guest satisfaction and employee satisfaction and not about other ethical sourcing aspects. With about 12 000 employees and 7 million guests staying at their hotels each year (pers. com., Stenbeck, 2015) it is important for NCH to focus on these two aspects as their business is depending on guests and that their employees are doing a good job. NCH do not have their own factories in less developed countries. This can be a reason why they do not consider those social aspects when talking about social performances as they otherwise might do.

According to Wolf (2013) the employee attitude and knowledge toward sustainable development is important for an organization. If NCH's 12 000 employees don't have the same attitude about NCH sustainable development thinking, it will be hard for NCH to work towards their goal of constantly taking more responsibilities within these areas. Delhi and Junger (pers. com., 2015) states that top management need to realize the important aspect of long-term perspectives and get all the employees

involved towards the same goals of sustainable development. They mean that the long-term perspective is important for these changes. Changing too much at the same time will increase the workload of employees and then the attitude on sustainable development focus might not be so attractive for the employees. Employee satisfaction is an important factor to increase; it can influence and improve the service and communication from the employees out to the guest at the hotels (pers. com., Ligné, 2015).

6.2.3 Environmental performance

The NCH focus on their environmental performances and consider that as part of taking responsibility, but also as a good communication factor for the hotel guest. Many organizations seek to find eco-efficiency solutions where the focus is to minimize waste and creating more or the same value from less resources (Björn & Hauschild, 2013; Braungart *et al.*, 2007; Rainey, 2010). Often products with long value periods also are seen as eco-efficient solutions (Braungart *et al.*, 2007; Rainey, 2010). This can, for example be to change light bulbs from the old classic ones to the new long-life energy efficient light bulbs, which can make a big difference in energy consumption and waste. As mentioned before, the NCH is a large actor on the market and their business has many areas that they can make more efficient without compromising with the guest overall experience. Small efficient changes within areas of chemicals, energy and water can make positive environmental differences for a big actor as NCH (pers. com., Killie, 2015; pers. com., Ligné, 2015).

Furthermore, products that the guests have direct contact with such as cosmetics, food, towels and bedding, also are important products for good decisions of (pers. com., Dehli, 2015). These are areas in which the guest quickly gets a good or bad experience, that will affect the guest's overall experience of their stay. These products can work as good communication factors for NCH if they think they have made good environmental decisions when choosing the products for the guest (pers. com., Dehli, 2015). Alwaysheh, (2010); Porter and Kramer (2011) argue that business activities should not be formed in an isolated manner. It is important to be aware of that many activities within organizations are connected with each other. Communicating about responsible environmental performances in hotels can be one factor to consider. Another factor is that it is not only the environmental effects of chemicals used for cleaning the kitchen to consider. It is also the amount of water that is used or how harmful it is for the person's skin and what kind of cleaning cloth that should be used can also be an important decision within this context. Some cleaning cloths might work better than others when it comes in contact with the chemicals. This means that in a purchasing situation organizations can not only focus on the essential products, they have to have a broader perspective.

6.3 Ethical sourcing in purchasing situation for Nordic Choice Hotels

Today's globalized world, with long supply chains and production in different corners of the world, makes it difficult to keep track of all business activities (Galli *et al.*, 2012; Porter & Kramer, 2011). Ethical sourcing thus becomes a requirement to keep track of the origin of products. Due to that, the ethical sourcing starts to increase in demand from different stakeholders and is more considered as a business responsibility then business opportunity (Blowfield, 2000; Chen & Slotnick, 2015;

Powell, 2011). Businesses start to focus more on ethical sourcing but there is no general framework that shows how ethical sourcing should be performed. Strategies vary between companies and industries (Blowfield, 2000; Carrigan & Pelsmacker, 2009). NCH use central suppliers from whom they purchase the majority of their products (pers. com., Dehli, 2015; pers. com., Killie, 2015) and who they also put trust in (pers. com., Junger, 2015; pers. com., Ligné, 2015; pers. com., Stenbeck, 2015). They indicate that there is a good reason why the suppliers have been chosen and with whom NCH strives to have long-term collaboration (pers. com., Stenbeck, 2015). Furthermore, suppliers that do not obtain the NCH standards are usually contracts discontinued (pers. com., Ligné, 2015). The attempt with long-term collaboration is to enhance the reliability between NCH and their suppliers. This to make the decision-making in the procurement processes less resource demanding for the organization (Ottman, 2011; Rainey, 2006; Rainey, 2010). Transparency between the organization and suppliers make this procurement processes more accurate (Jaya *et al.*, 2010).

According to Dehli (pers. com., 2015) when NCH are assessing suppliers they have two different approaches; supplier's sustainability standard and product standard. These are essential parts within ethical sourcing. She means that products with high quality do not necessary need to be preferable because high quality products can still be produced with low ethical considerations and then they will get a bad rating of NCH. These are important factors to consider when assessing suppliers and products for NCH with an ethical sourcing approach. Ethical sourcing can be seen as one part of a model of conducting a sustainable business (see *Figure 5 & 7*), and yet it is a crucial part for many organizations, especially for a large organizations as NCH that purchase large quantities of products that are produced in other countries. Often NCH product choices are reflected on large quantities, which can have negative consequences if doing the wrong product selections. Organizations are also held more responsible for their suppliers and product selection, which makes it even more important for NCH to have good procurement processes when choosing supplier and products (Blome & Schoenherr, 2011; Ellis *et al.*, 2010; Seuring & Müller, 2008ab; Smith, 2008; Rainey, 2011). It is important to reduce the risk of ending up with unethical suppliers and low quality products, which in turn can give them a bad reputation. NCH use an average of 9.6 different kinds of S&S used each year, which are a lot of products to keep track of when they fulfill similar purposes. Additionally a larger product portfolio as this also increases the risk that one product turns out to have bad ethical conditions in its production, which NCH can be held responsible for. The S&S that is purchased come in different sizes and container functionalities (single disposable containers, different refill packages and different kinds of dispensers), shows that there is no consistent way for NCH when using S&S.

If NCH wants to work with more ethical sourcing initiatives, their product procurement processes cannot be conducted in an isolated manner (Awaysheh, 2010; Porter & Kramers, 2011). Instead they need to have a more holistic view of their assessment, both in the ethical sourcing aspect of supply chains and products, but also within in-house activities to assess what products that fits best into their business context and customers preferences.

7 Discussions

This chapter is a discussion of how the results match other research reports. The purpose of this chapter is to address the research questions that are mentioned in *Chapter 1*.

7.1 What factors can be combined to perform ethical sourcing

It is difficult to create a general framework for ethical sourcing (Blowfield, 2000; Chen & Slotnick, 2015). Essential factors within ethical sourcing are that organizations need to take greater environmental and social responsibility when conducting their business. This is difficult especially with suppliers and business activities in countries with low social and environmental regulations and standards. The ethical sourcing approach varies a lot between industries, but is consistent within the context of social and environmental responsibilities (Blowfield, 2000; Chen & Slotnick, 2015). This has led to that organizations have ended up in a position where it is not acceptable to only take responsible financial action for their shareholders (Baden *et al.*, 2009). They also have to make responsible social and environmental choices, especially considering different levels in the supply chain. The financial aspect is an important factor but when it comes to ethical sourcing the social and environmental factors are the most prioritized ones. Still, without financial power it is hard for organizations to take ethical sourcing initiatives. It is difficult to change supply chains and production processes in the direction of taking more social and environmental responsibilities without financial incentives.

In addition, the supplier's attitude is challenging to change within social and environmental activities if businesses only want to decrease the price of products that suppliers supply without any further collaboration. Some businesses realized that marginalized suppliers have difficulties remaining sustainable or productive and have trouble to continue with quality improvements of products (Porter & Kramer, 2011). Ethical sourcing should therefore not only be discussed in the context of social and environmental factors, the financial factor is as well important for improving ethical sourcing initiatives. *Figure 8* is an attempt to illustrate how the ethical sourcing approach moves from two factors of the TBL to include all three factors in a collaborative process.

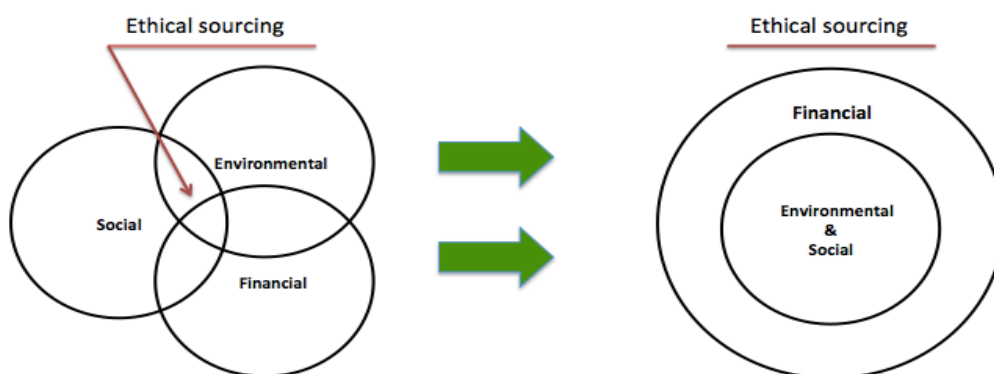


Figure 8. Ethical sourcing factor shift.

With this model, social and environmental factors are dependent on financial initiatives, but in the same way the financial factors is dependent on social and environmental initiatives. Many businesses today are dependent on proper social and environmental performance both within their organization and with supply chains connected to their business (Jiang, 2009). This is a result of the pressure from media and other stakeholders - bad performance within these areas can often harm organizations financially (Pagell & Wu, 2009). Simultaneously, good performances could instead improve the financial status. Working towards sustainable development by ethical sourcing initiatives can be difficult and challenging for businesses to manage by themselves (Lee, 2010). Collaboration with other businesses, which use similar resources and supply chains, can be a preferable strategy when focusing on a specific problem that can be difficult to overcome by acting alone, which also can lead to new business opportunities (Lehr, 2010; Murray *et al.*, 2010; Roloff, 2008). This collaboration can also improve ethical sourcing performances (Lee, 2010). The collaboration by the electronic firms Electrolux, Hewlett-Packard, Braun, and Sony (*Chapter 4.2*) are good examples of that collaboration can work even between competitors in the same industry (*ibid.*). They created a recycling platform that decreased their manufactures recycling cost with 35% (Lee, 2010, 4).

Ethical sourcing initiatives are executed in different ways and it is important to have a good holistic understanding of how different business activities are connected with each other to perform ethical sourcing in a sustainable way. One example of this is M&S that used their financial power to improve working conditions and environmental performances by relationship building with their offshore suppliers (Robinson, 2009). Another example is Starbucks. They used their financial power when supporting their coffee farmers, which improved the financial, social and environmental standard for the farmers and the coffee production (Lee, 2010; Starbucks, 2013, 4-5).

7.2 Assessment of products in ethical sourcing

Purchasing managers often have the pressure of finding products that have good quality for minimum prices and still be products with good social and environmental performance in all steps of the supply chain (Goebel *et al.*, 2012). These criteria's are hard to achieve when assessing products, using ethical sourcing as an important factor. The financial performances are important factors for businesses and they are often striving to find the lowest possible prices when purchasing goods. Because of business pressure regarding cost reduction, difficulties occur for suppliers to handle trade-offs of good working conditions and cheap prices (Wright, 2015). Different trade-offs can occur if businesses do not assess products in a more holistic way; considering social, environmental and financial aspects that are connected to the product in a joint strategy (Blowfield, 2000; Carrigan & Pelsmackers, 2009).

It is important to include both in-house actives and activities within the supply chain. *Figure 9* is an attempt to illustrate four different TBL-models that show different trade-offs that can occur when assessing products and services. The arrows in the model show how the different circles in the TBL-model shift away from and towards each other depending on what aspects that are considered in assessments. The circles that move away from the original TBL model are the ones where trade-offs occur.

Angus-Leppan *et al.*, (2010) states that considering only one or two of the three factors will still affect the factors not considered, often in a negative way.

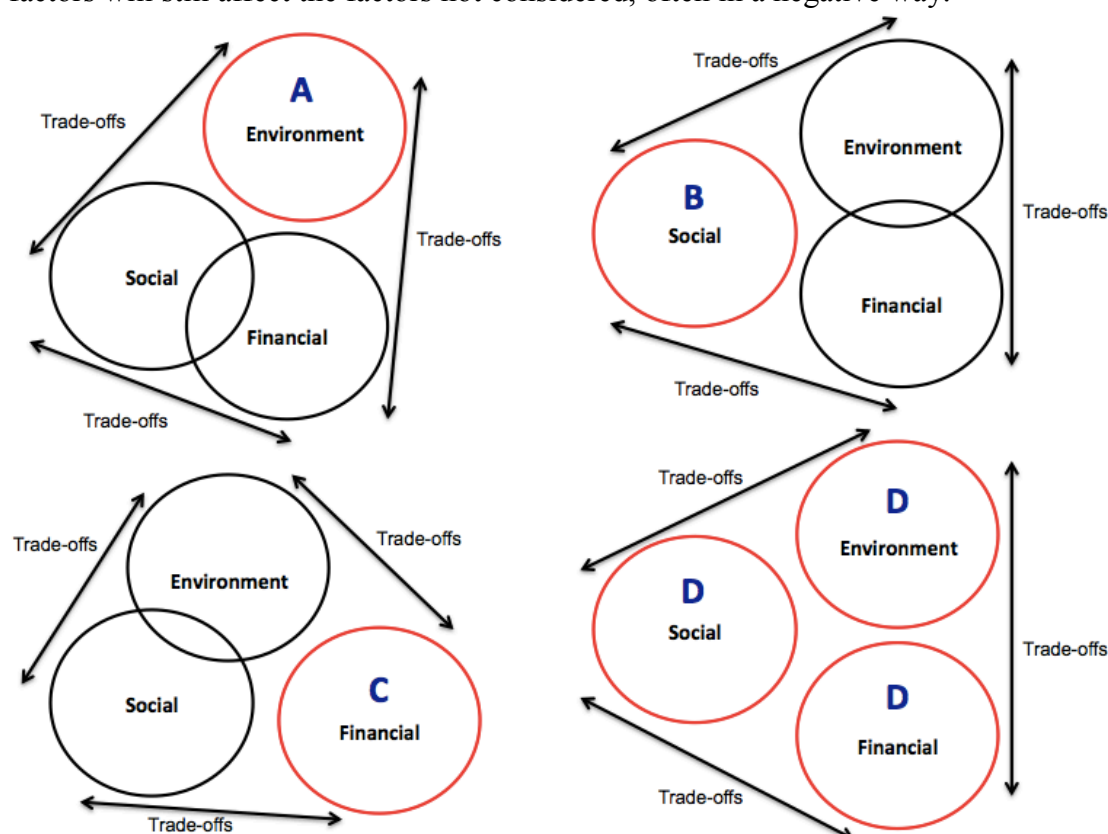


Figure 9. Different trade-offs in the triple bottom line framework – model A-D.

If focusing only on social and financial aspects (Figure 9, model A) the environmental responsibilities slides away and falls behind in their assessment and sustainable development performance. This can happen in the hotel business if they only focus on guest satisfaction with non-environmental responsible products. Another situation (Figure 9, model B), which can illustrate social trade-offs is the example of the MAX-hamburger, where they tried to educate customers that it is the meat and not the transport that has the highest environmental consequences, which is good. However, it should be kept in mind that MAX run hamburger restaurants with food that is associated with obesity, which has many social problems. According to Chen and Baddam (2015) a short-term tradeoff focus can, when comparing social and environmental performance with cost, damage both suppliers' and organizations' long-term performance. This is illustrated in Figure 9 model C and D from an example of fairtrade bananas that was mentioned in Section 4.1 (Robinson, 2009). Sainsbury's and Waitrose did not have a joint social, environmental and financial strategy when making the ethical sourcing decision. Choosing to only sell fairtrade bananas was a good ethical decision and also supported the fairtrade banana farmers by increased quantities. The down side for the supermarkets was that the price of bananas increased. To counteract this, the supermarkets put pressure on the farmers to decrease the prices of fairtrade bananas (Robinson, 2009). The price reduction made it hard for fairtrade banana producers to produce bananas with the same social and environmental standards as before (*ibid.*). Instead of closing the trade-offs between social, environmental and financial factors the trade-offs expanded. Sainsbury's and Waitrose considered fairtrade bananas in an isolated manner in their

purchasing situation with the only purpose of sales. They wanted to sell ethically good bananas for the same price as their competitors' conventional produced bananas, without considering what incentives it needs to produce fairtrade bananas. This example shows that Sainsbury's and Waitrose were not prepared that cost can occur when changing to focus on social and environmental factors. Instead, they wanted the same expenses that they had before but for better sourced products. This is way businesses cannot assess products in an isolated manner, they have to consider all aspects that are connected to a product if they want to perform good ethical sourcing initiatives.

7.3 In the case of Nordic Choice Hotels

NCH have used different ethical sourcing strategies such as boycotting different products and materials (e.g. boycott of palm oil/scampi/Foie gras). They have also changed to better ethical sourced products (e.g. ecological coffee and free-range hens' eggs) and collaboration with local societies. To make such ethical sourcing decisions, usually extensive knowledge is needed to assess if the decision is preferable or not. The results from this study show that if the NCH wants to continue to work towards a more sustainable business their product procurement processes cannot be conducted in an isolated process (Awaysheh, 2010; Porter & Kramers, 2011). They need to have a holistic view of their assessment, both in the ethical sourcing aspect of supply chains and products, and within in-house activities to assess what products fit best into their business context and customers preferences. A good example of this is the Starbucks example that both assessed the needs within their organization and their coffee farmers. Selling ethically sourced coffee in their restaurants/cafeterias could also be seen as added value for their customers.

Through having access to data on consumption of S&S, and through the interviews with employees at the NCH it can be shown that assessment of S&S can be a difficult ethical sourcing aspect in a purchasing situation. Only in Sweden do the NCH consume a total of 1,25 million S&S containers from 14 different brands and sizes in a five year period, with an average of 9.6 different kind of S&S used each year. Nordic Ecolabelling (2015) indicates that there are challenges with the traceability of raw materials, which S&S are made from. Large numbers of S&S raw materials fulfil the same function, which makes it difficult to receive proper documentation of raw materials that have been used in the products (Nordic Ecolabelling, 2015). Palm oil is a raw material that is often used in S&S, with the NCH's choice to boycott palm oil they need to be careful of what S&S to purchase. With the NCH's average use of 9.6 different S&S of products that may have shortcomings in the traceability and a quite complex supply chain (see *Figure 6*) can make it difficult and time consuming for the purchasing management in the procurement process to assess the products in a proper way. Studies show that purchasing managers often have the pressure of buying good products for the minimum prices. Which can be difficult in the case of the NCH if they have this many S&S to assess and secure good social and environmental standards on.

Furthermore, many believe that S&S production does not have a significant contribution to negative environmental performance (Bocken *et al.*, 2012; Nordic Ecolabelling, 2015). Instead, they consider that other factors that are linked to the use of S&S can have more of an environmental impact than S&S. Factors such as water

consumption, energy used for heating up water to the showers, and S&S containers as such are factors to consider. Another in-house activity to consider is what kind of S&S containers that could be used. A high ratio of containers material compared to the volume of S&S increases the environmental impact, due to more material waste (Nordic Ecolabelling, 2015). This shows that small solid containers of S&S that hotels often use, has higher impact than large containers. The NCH use both dispensers and small solid 30 ml containers, the small containers can be preferable in the customer's point of view and the dispensers in a sustainable development point of view. However, there are challenges with dispensers as well, since there is always liquid left in the refill package when you cannot get any more S&S out of the dispenser (pers. com., Killie, 2015). Other difficulties are that you do not want the dispenser to run out of S&S when you have a guest staying in the room, this leads to that dispensers are replaced when the container is not completely empty, which leads to an increased S&S waste. An additional factor to consider is that the dispensers have to be sealed so guests cannot add other substances in the containers, which destroys the S&S and leads to even more S&S waste. In spite of these problems, a dispenser may be a better choice than small solid containers, because they do not need to be replaced after each guest night and the NCH can have control over the plastic waste compared to using the small solid containers that guests often bring home.

S&S can be a complicated product to assess and there are a lot that can be improved in this area (pers. com., Junger, 2015). It is not only the procurement processes determining what the NCH purchases as a S&S that is environmentally friendly, palm oil free, smell good and health and pleasant for the skin for a good price that only should be considered. The in-house activities as well are important, i.e., that the S&S is easy for the cleaning staff to change, waste treatment, should dispensers be used or is single disposable containers of S&S more preferable. If the NCH can find a good way to overcome these problems connected to S&S, more opportunities might open up for them to increase their sustainability responsibilities even more. Nudging has been a successful concept on hotels before (Kallbekken & Saelen, 2013; NCH, 2012, 10). This is because many of hotel activities are closely connected to the activities people have in their homes. A successful nudging method could be conducted within the area of S&S at hotels also, which den might take away the basic assumption hotel guest has, that hotels should deliver luxury disposable products and instead influence them in the direction of using S&S in a more sustainable way.

Additionally, the NCH consists of 4 different hotel chains with different hotel prices and standards (Annual report, 2013c). This should not have any impact on the NCH's decision to work with sustainable development through taking responsibility within the context of S&S. They should be able to find a good ethical sourced S&S that can be used on all their hotels regardless what quality standard the hotel has.

8 Conclusions

The following chapter intends to answer the thesis' aim and bring suggestions on how the NCH should relate their ethical sourcing procurement processes when assessing S&S.

The general purpose of ethical sourcing is to assess products' production processes and suppliers to increase awareness and to ensure that these processes have acceptable social and environmental standards. There is no general framework how to perform ethical sourcing activities and organizations need to find their own way to perform this into their business context. Challenges with ethical sourcing can increase in a buyer situation, when businesses are not included in the manufacturing process. Businesses need to have extensive knowledge in their assessment to avoid trade-off from the social, environmental and financial activities. This is way planning and strategic procurement when purchasing goods and selecting supplier's is an essential part of management today.

The case study shows that conditions for ethical sourcing depends much on the financial factors, to perform ethical sourcing strategies financial incentives are important to have when focus on social and environmental activities, which is illustrated in *Figure 8*. The figure illustrates that if businesses create knowledge and awareness to handle these three factored in a collective way these factors can contribute and benefit from each other in many levels of a business. However, many companies are trying to take the initiative as a result of larger demand on businesses to take more responsibility within social and environmental factors. Difficulties occur for companies in relation to how to operate their business with all three factors in a mutual way. Instead, trade-offs are often created between these factors, as illustrated in *Figure 9*, which perhaps is a clearer picture of reality. Where it is difficult to create an understanding of how various factors are interrelated. Which often creates unsuspected trade-offs between social, environmental and financial factors. In a procurement process in a B2B situation, the purchasing often imply large quantities. This can be even more complex in cases when the ethical sourcing assessment is performed without actually being part of the production processes. This can create significant trade-offs for a business if they do not have holistic awareness of the purchased products.

The case study also shows that hotel guests might not demand sustainable development initiatives as much as the demand expressed in other industries. Instead, they have the general assumption that hotels are a luxury service that should not cut down on factors that can affect their experience at the hotel. Social and environmental factors do not always have a negative effect on guest experience but sometimes they do in the hotel business, which can be a challenging for the NCH and their focus on sustainable development. Still the NCH have been able to perform different sustainable development initiatives (see *Table 5*), which show that they are an organization that takes these issues seriously. The study also shows that ethical sourcing is one of the main aspects when working with sustainable development initiatives. Working with ethical sourcing to assess products and suppliers is a valuable initiative. But to operate a business with sustainable development focus, a holistic assessment needs to be conducted. Products cannot be assessed in an isolated

process. Both ethical sourcing initiatives and how to work with these activities in-house are important as well. Ethical sourcing when assessing S&S is one part of improving the sustainability focus of S&S. The combination of that the NCH purchases many different kinds of S&S and that it is difficult with the traceability of S&S can make the procurement process within ethical sourcing difficult. This leads to that it would be recommended for the NCH to cut down and only use a few different kinds of S&S, which would then make the procurement process less challenging, with fewer products and supply chains to assess within ethical sourcing. Furthermore, with fewer products the risk of missing out on essential factors in ethical sourcing assessment decreases. Further aspects are how the S&S are used in the hotels and factors connected to the use of S&S. Those factors can have a larger environmental impact than the manufacturing of S&S, such as container waste, water and energy consumption.

For the NCH, it is a matter of both developing the best suitable container, waste treatment and collaboration with suppliers. Concerning how to conduct the best overall ethical sourcing procurement processes when assessing S&S to find a financial, social and environmental suitable S&S that is preferable in a sustainable development point of view. But also for hotel guest that might demand luxury services before sustainable development. These are big changes to do and continuous improvement within this area is preferable. First is cut down to fewer S&S brands and consume fewer small solid containers of S&S. Then explore and develop a stylish dispenser with the qualities that would fit into the hotel business, after this focus on an overall waste treatment program how to take care of the waste from S&S containers and dispensers in a convenient way. With a well-planned project such as this, nudging also can be a good tool to use. To inform guests why small solid containers are not suitable and why it can be important to have a waste treatment program.

Some sustainable development initiatives are extensive and challenging for a business to manage by itself. This can be solved by collaboration with other businesses that use the same resources. The improvement, I have suggested are quite extensive. To solve problems with S&S, the NCH can start collaborating with other hotel chains. S&S can even be a good product for starting such collaboration in the hotel business. Bathrooms are in general fairly similar in all hotels and S&S is a product that is not decisive when a guest chooses one hotel before another. Such collaboration could then improve the management of S&S in hotels in general and create business opportunities. With even more hotels involved a waste treatment program and focus on nudging can even get better results.

Suggestions for further research: in the hospitality industry hotel come in close contact with their customers and often during a longer period than in other industries, due to that people live and sleep at hotels. Further research would be interesting to do is how hotels can collaborate with each other to perform new sustainable development initiatives. Because guests stay a long period at a hotel it would be interesting to see what other different nudging initiatives that can be conducted on hotels to influence guest of making more sustainable choices. Furthermore would it be preferable to go in depth on how to develop a dispenser that would suit the hotel industry.

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Personal communication

Anonymous

ADA Cosmetics International, GmbH, one of the main European supplier for hotel cosmetics
2015-06-08 - Email

Dehli Cathrine

Head of Sustainability, Nordic Choice Hotels
2015-04-27 - Telephone

Killie Erik

Manager Sustainability & Energy, Nordic Choice Hotels
2015-04-13 - Telephone

Ligné Josefin
Director of Brand & Projects, Nordic Choice Hotels
2015-03-30 – Face-to-face

Ljunger Mikael
General Manager, Nordic Choice Hotels
2015-04-16 - Telephone

Stenbeck Gustav
Director Sustainability & Security, Nordic Choice Hotels
2015-04-10 - Telephone

Appendix 1. Email sent to Interviewees



Department of Economics, SLU, Uppsala
Degree Thesis Business Administration E-level
30 Credits, Spring 2015
Date: xx/xx/2015

Hello!

My name is Rasmus Finnström and I am doing my last semester on a Master of Science degree in “Environmental Economics and Management” at the Swedish University of Agricultural Sciences.

I am writing my thesis for you at NCH and I have Cathrine Dehli as my contact person at NCH. My thesis is about that I will try to investigate if there is an easy and not too resource demanding way to evaluate your supplier's products. To be more specific it is cosmetic products including soap that I will be looking on in my thesis.

One part of my thesis plan is to have interviews with employees from NCH environmental group that works within your procurement department. These interviews will give me a deeper understanding on how you at NCH look on sustainable development and how you believe your guests perceive your responsibility for questions regarding sustainability.

The interview will be either as a telephone interview, if possible through Skype, or as a “face-to-face” interview if you are located within a reasonable distance from Uppsala where I live. I estimate that the interview will approximately 30-45 minutes.

The interview questions will be sent to you before the interview. Your answers will be sent to you after the interview to see if I have understood your answers correctly.

I would appreciate if you are agreeing to an interview and I am wondering if it would be possible to do the interview with you sometime between the dates 7-17 April? If that is not possible for you we can agree on another date that will suit you better.

Kind regards
Rasmus Finnström

Appendix 2. Interview questionnaire



Department of Economics, SLU, Uppsala
Degree Thesis Business Administration E-level
30 Credits, Spring 2015
Date: xx/xx/2015

Ref: Interview questions for an master thesis

It was nice that you had time for an interview. I am writing to you in order to prepare our interview, which will be in the form of a thematic dialogue. Below you can see my main questions. The questions will probably not be asked in the order they appear below. All interviewed are employees at Nordic Choice Hotels and it will be clear in my thesis who is saying what. I will do a summary of our interview, which I will send to you for comments and acceptance. I will of course send my final thesis to you as well when it is ready.

1. **How** do you look upon the concept Sustainable Development?
2. **Why** do you think that it is important that you within the Hotel industry take an environmental responsibility?
3. **How** do Nordic Choice Hotels clarify their environmental engagement as you see it?
4. **Why** is Nordic Choice Hotels choice of cosmetic products important?
5. **How** do you look upon that the product selections that Nordic Choice Hotels make influence what products guests at the hotels use?
6. **What** in your opinion is the most important characteristics soap and shampoo shall have?
7. Nordic Choice Hotels use to a great extends central suppliers. Do you trust that these suppliers deliver products that reach up to the Nordic Choice Hotels standard requirements?
8. **The** venture towards sustainable development you have started within Nordic Choice Hotels is that appreciated by your guests or do you think that you are losing any group of guests due to this venture?

Thank you for your cooperation. See you on /

Kind regards
Rasmus Finnström

Appendix 3. Key factors chapter 3

Bullet points – Chapter 3	Authors
3.1 A triple bottom line perspective	
TBL is a fundamental framework within sustainable development.	Carter & Rogers, 2008
Organizations cannot only focus on financial performances.	Agnus-Leppan <i>et al.</i> , 2010; Carter & Rogers, 2008; Robins, 2006; Savitz & Weber, 2006
TBL support more disclosure and nonfinancial reporting	Robins, 2006; Wolf, 2013
Social and environmental performances are more difficult to calculate then economical performance.	Norman <i>et al.</i> , 2004; Slaper & Hall, 2011; Wolf, 2013
TBL focus can create long-term financial profitability.	Carter & Roger, 2008; Robins, 2006; Norman <i>et al.</i> , 2004
3.2 Ethical sourcing	
Ethical sourcing is seen more as a business responsibility then a business opportunity, from stakeholders.	Blowfield, 2000; Chen & Slotnick, 2015; Powell, 2011
It is no general framework that illustrates ethical sourcing, it varies between companies and industries.	Blowfield, 2000; Chen & Slotnick, 2015
Ethical sourcing is often performed through CoC.	Preuess, 2009; Blowfield, 2000
Companies with a holistic environmental and social understanding within regulations and laws are the ones that benefit the most of ethical sourcing.	Blowfield, 2000; Carrigan & Pelsmacker, 2009
3.3 Sustainable development in supply chains	
Transparent supply chains are important.	Jaya <i>et al.</i> , 2010
Organizations start to be held responsible for their suppliers and need to keep track of the actors within their supply chain.	Blome & Schoenherr, 2011; Ellis <i>et al.</i> , 2010; Seuring & Müller, 2008ab; Smith, 2008; Rainey, 2011; Smith, 2008
A more structured supply chain makes decision-making less resource demanding.	Ottman, 2011; Rainey, 2006; Rainey, 2010
Companies need to collaborate with suppliers within TBL aspects and focus on continuous improvement.	Carter & Easton, 2011; Carter & Rogers, 2008; Rainey, 2006; Rainey, 2010
3.4 Triple bottom line mindsets	
3.4.1 Eco efficiency	
Eco-efficiency seeks to minimize waste in productions systems by creating more from less- resources.	Björn & Hauschild, 2013; Braungart <i>et al.</i> , 2007; Rainey, 2010
Products with long value periods are products with eco-efficiency solutions.	Braungart <i>et al.</i> , 2007; Rainey, 2006
Organizations need to have a broader perspective when designing produces and businesses.	Rainey, 2006, 493; Rainey, 2010
3.4.2 Social Performance	
Social performance is a difficult area because of different regulations and standards in different countries.	Awaysheh, 2010; Porter & Kramer, 2006
Social norms need to be included when developing a sustainable business.	Braungart <i>et al.</i> , 2007; Daub, 2005; Porter & Kramer, 2011; Wolf, 2013
Employee's attitude and knowledge towards sustainable development are important with organizations.	Wolf, 2013
Economical achievements do not need to decrease by focusing on social performances.	Porter & Kramer, 2011
Business activities should not be formed in an isolated manner.	Awaysheh, 2010; Porter & Kramer, 2011
Outsourcing and longer supply chains make it harder to control suppliers.	Galli <i>et al.</i> , 2012; Porter & Kramer, 2011
3.4.3 Financial opportunities	
Financial opportunities can occur when focusing on improving performance on environmental and social.	Belz & Peattie, 2012; Daub, 2005; Pagell & Wu, 2009; Porter & Kramer, 2011; Sameer & Valora, 2008; Shuaib <i>et al.</i> , 2014
Differentiation within sustainable practice against competitors can lead to increased financial performance.	Belz & Peattie, 2012; Daub, 2005; Porter & Kramer, 2011

Appendix 4. Cost of soap and shampoo per guest night

Table 10 shows the total cost of S&S for the years of 2010-2014. This cost is divided with the total amount of guest nights to find the total cost of S&S for each guest night at NCH. When the calculation of this data has been done no preferences of the quality of the S&S has been made. The two factors that have been included are the annual cost of S&S and the total annual amount of guest nights.

Table 10. Average annual cost for Soap and Shampoo per guest night.

Total Sweden Year	Cost SEK	Guest night	Cost SEK/Guest night
2010 Sweden	3007115	2662151	1,130
2011 Sweden	3223637	2953779	1,091
2012 Sweden	3375292	2765560	1,220
2013 Sweden	3514623	3294934	1,067
2014 Sweden	4393677	3645432	1,205