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Sustainability within the relationship between the trading
house and its suppliers

-A case study of a Swedish trading house and its supplier's relationship-

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Abstract

The nature of trading houses is ever changing which indicates an adaptive industry. Prior research has focused on this changing nature and evolution of trading houses but there is a research gap when it comes to trading houses and their relation to sustainability. Additionally, Swedish trading houses act in an industry that appears to be supplier-driven, yet the trading house-supplier relationship is not covered from a sustainability perspective in the contemporary literature. Therefore, this thesis attempt to provide greater knowledge about the relationship between a Swedish trading house and its suppliers from a sustainability perspective. Additionally, the thesis investigates what role competitive advantage has for the trading house. In order to answer these questions, a single case study was conducted focusing on one Swedish trading house and five of its most important suppliers. The results showed that there is a limited incorporation of sustainability in the relationship between the trading house and its suppliers. From the trading house perspective, they do not have explicit policies regarding the subject today and the suppliers do not have extensive requirements towards the trading houses. However, the trading house have a desire to develop and integrate sustainable solutions, and the findings show that the suppliers are positive to value alignment regarding sustainability with their partners i.e. trading houses. This indicates that the relationship will probably evolve into greater sustainability integration between trading houses and its suppliers in the future. The results also indicate that being in the forefront of sustainability inclusion and having strong value alignment through the value chain can increase the trading house's competitive advantage. Conclusively, this thesis contributes to the contemporary literature in the fields of International Business through the Swedish trading house cluster, Corporate Sustainability and Strategic Management considering potential competitive advantages.

Key words: Swedish Trading House, Trading House-Supplier Relationship, Pulp and Paper Industry, Corporate Sustainability, Competitive Advantage.

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1. Introduction

This introductory chapter covers the background of trading houses and the rising importance of sustainability within business strategies. Next, the problem discussion is held in order to identify research gaps, which is in turn followed by the thesis purpose and the research question.

1.1 Background

The concept of trading houses is old and has had significant influence on improvements of economies through the facilitation of international trade (De Geer, 1998). Trading houses essentially work as an intermediary that enable domestic companies to export or import to/from destinations that would not be reached without the export indirect intermediary (Welch, Benito & Petersen, 2007). The trading houses in Sweden were first established in the eighteenth century with the purpose of increasing the sales and export of Swedish iron to Europe (De Geer, 1998). The lack of experience in exporting abroad created the need for middlemen, and this role was filled by trading houses (ibid). During this period, internationalization thrived, which put harder demands on the trading houses; the industry consolidated and only the trading houses who were adaptive and flexible survived (ibid). This led to few and large actors in the 1990s. However, the nature of trading houses has changed through the recent years due to globalizations' facilitation of direct trade between international actors which allowed for more specialized demands and therefore more specialized trading houses. From simply offering the service of exporting a good, examples of services that were born out of the trading houses' need to stay relevant and survive as the industry consolidated were for example financial services, ownership, risk-management and insurances (Balabanis & Baker, 1993a; De Geer, 1998; Kjellin & Lawrence, 2014). This has allowed smaller trading houses to thrive while the expectations on trading houses have increased from both the supply and customer side (ibid).

The nature of the modern trading houses is product expertise and specific market knowledge, which is superior to the producers (De Geer, 1998). The competition for the trading houses is constantly increasing which forces the actors to evolve and adapt to the continuous changing demands. At the same time, sustainability is a subject of increased importance, and today it is an extensively integrated part of businesses goals and operations (McKinsey, 2011). External pressures are demanding sustainability due to raised awareness of the global challenges and

therefore many companies have started to view the subject as an essential part to integrate into their business (DiMaggio & Powell, 1983). Production corporations are generally more exposed to these kinds of pressures and are consequently more often proactive in their sustainability engagement compared to businesses that act as intermediaries as they can usually act more independently and are under less scrutiny (KPMG, 2013). Hence, to this day, trading houses are able to act and operate quite oblivious to sustainable challenges or solutions. However, in this changing business environment where the importance of sustainability is increasing, it seems likely that the demand of sustainable solutions from both suppliers and customers might be expected of trading houses as well since they are part of the global value chain.

With this in mind, a possible change in demand towards the trading house could be the importance of sustainability which currently and increasingly permeates, most industries and their business operations (McKinsey, 2011). Many of these industries are suppliers to the trading houses, and therefore it is likely that the importance of sustainability might influence intermediary actors as well. Thus, the trading house's implementation and relation to sustainable solutions could possibly become a future competitive advantage.

1.2 Problem Discussion

Considering the background of trading houses, it is evident that their role have changed over the last centuries. One prominent change, that is identified by several authors, is the change of perspective and focus from goods process towards a relationship service offering (Kjellin & Lawrence, 2014; Vargo & Lusch, 2004). Vargo and Lusch (2004) argues that there is a shift in businesses and in theory as globalization and competitiveness has compelled firms to improve their offerings. These offerings are in a sense additional services provided by the companies instead of only focusing on the output and process of goods. This means that the business offerings are a synergy of goods and services combined (Vargo & Lusch, 2004). The evolution of trading houses is therefore in line with these mentioned theories since the trading houses are continuously increasing their ranges of service offerings (such as the financial, insurance and risk management services that were implemented in the recent years) to stay relevant. (Balabanis & Baker, 1993a; Kjellin & Lawrence, 2014). It is unknown what the future services offered will be, but by observing the rising importance of sustainability in other industries, it is possible to assume that the subject could potentially be an important aspect to consider for

trading houses in the future (McKinsey, 2011). Based on Barney's (1991) theory about the resource-based view, the utilization of resources could create competitive advantages for the trading house if they are able to integrate sustainability successfully.

In the research field literature, there is a limited amount of theories on trading houses in general, and when it comes to the subject of sustainability in relation to trading houses the literature seems to be absent. Thus, this is a contemporary academic research gap that is interesting to investigate further. In recent years, the corporate sustainability literature has grown rapidly (Deephouse, 1999; Hart, 1995; Porter & van der Linde, 1995; Strannegård, 2000). Yet, it does not seem like this literature has covered intermediary actors such as trading houses (ibid). DiMaggio and Powell (1983) argue that companies develop and create sustainable business strategies in response to external pressures i.e. institutional isomorphism. The institutional isomorphism perspective further suggests that the firms tend to become similar when facing the same external pressures. This in turn can explain if, how and why trading houses consider and work with sustainability. Moreover, DiMaggio and Powell (1983) suggest that companies that implement sustainable strategies before regulations and policies make it mandatory, achieve a first mover advantage i.e. a competitive advantage in the aspect of being ready for future changes. Observations by Porter and van der Linde, (1995) and Hart, (1995) strengthen DiMaggio and Powells (1983) suggestion. This, because they have observed that firms with proactive sustainable strategies and solutions have often achieved competitive advantages, as these companies have driven the sustainability change forward rather than followed it (Hart, 1995; Porter & van der Linde, 1995). With this in mind, proactiveness in sustainability can have a positive impact on the success of a company.

Moreover, some authors argue that the sustainability strategies implemented by certain companies are simply a necessary action to satisfy current external pressure with no real goal or vision to consider sustainability in the long-term (Dahl, 2010). This procedure where companies claim to endeavor in working towards certain sustainability goals in theory but do not do so in practice is called "Green Washing" as stated by Dahl (2010). One should therefore be aware of the fact that companies have different views on sustainability. Also, some authors conclude that sustainability strategies often increase cost and decrease efficiency which has a negative monetary effect for stakeholders which according to Friedman (1970) should be the primary goal for firms.

In regard to the discussion above there are large changes both in the service offerings from trading houses and also a major shift for sustainability inclusion for companies in general. Based on the contemporary literature, there does not seem to be any evident connections between the two subjects, but it is likely that they will connect in the near future and that this might provide competitive advantages for the involved actors. Additionally, there is no academic research about the relationship between trading houses and its suppliers from a sustainability perspective which is something that is relevant to investigate further as the topic of sustainability increases in importance (McKinsey, 2011). The following formulation of the thesis purpose and establishing of the research question is based on this problem discussion.

1.3 Purpose and Research Question

Based on the formulated problem discussion, it is relevant to further study the relationship between a trading house and its suppliers. It is natural to assume that the pressure towards trading houses regarding sustainability would come from the suppliers, because those actors have already integrated sustainability to a greater extent. Therefore, the purpose of this thesis is to investigate and produce greater knowledge regarding the relationship between a Swedish trading house and its suppliers from a sustainability perspective. This approach is chosen in order to examine the relationship further and to identify what role competitive advantage can have for the trading house. As a fairly undiscovered subject, the potential results could increase the trading house's position as a relevant intermediary actor. With this in mind, the developed research question for the thesis is:

From a sustainability perspective, how does a Swedish trading house and its supplier's relationship manifest?

- *What is the role of competitive advantage for a Swedish trading house within this relationship?*

In regard to these perspectives, this thesis will further attempt to provide a possible sustainability strategy for a contemporary trading house today. For this case study, the company in focus is a Swedish international trading house, with its headquarter in Gothenburg, and operates in the pulp and paper industry. Since the relationship between the trading houses and its suppliers is of great importance, this thesis will investigate how a trading house relates to

its suppliers from a sustainability perspective. Moreover, in order to facilitate the understanding of this thesis findings delimitations needs to be defined.

1.4 Delimitations

This thesis uses a qualitative abductive approach with a case study design, focusing on a single company and its relationship to its suppliers. Therefore, the thesis is delimited to the case company KorCo AB, a Swedish Trading house active in the pulp and paper industry. Being a qualitative abductive case study, the thesis is firstly delimited to only the Swedish attitude and influence on the firm. It is secondly delimited to only cover the discourse of the pulp and paper industry. These factors consequently delimitate and affect the thesis findings and thus also affect the transferability of the thesis to other actors and industries around the world.

2. Theoretical Framework

This chapter covers the theoretical framework that is relevant for this case study. As the subject focuses on trading houses, sustainability and strategic management, relevant theories in these subjects are presented in this chapter.

2.1 Defining Trading Houses

In order to carry through this case study, a definition of what trading houses are has to be established. The chosen definition of trading houses for this thesis is based on the example by Welch et al. (2007) which states that trading houses are companies that deals with domestic and indirect export through relationships with suppliers and customers. As seen in Figure 1, the flow of goods through domestic indirect export can take different paths and work differently. In some cases, the producer transports their products domestically to the intermediary who in turn exports the products abroad to another intermediary who finally transports the products to the end customers. Another path is when the producer exports their products to an intermediary abroad and then that intermediary actor transports it to the end customer. Further, another path that is not shown in the figure occurs when producers transport their products to an intermediary domestically who then later exports it directly to the end customers abroad (Welch et al. 2007).

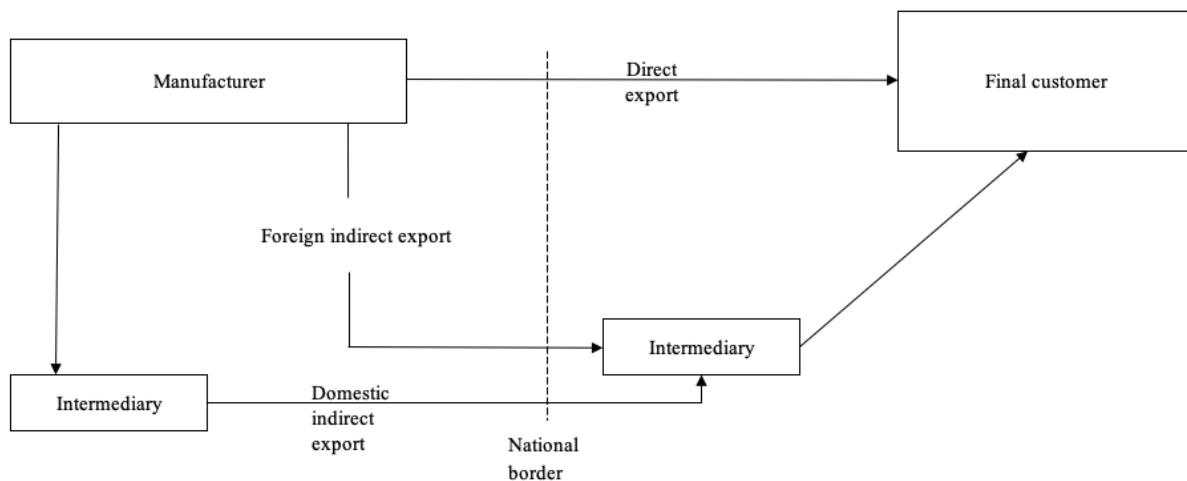


Figure 1. Modes of Operation

(Welch et al. page 248, 2007)

Regarding companies' internationalization and their exporting of products abroad, intermediaries in the domestic market are sometimes utilized. The advantages of using intermediaries such as trading houses are that the trading houses have large networks abroad, experience and knowledge, as well as economies of scale (Ellis, 2001; Welch et al. 2007). For the domestic exporting companies, trading houses are an efficient way of reaching far away markets as they only need to export their goods domestically (Welch et al. 2007). When the trading houses receive the goods, they handle the complementing parts of the value chain, such as identifying customers and handling the international export administration, logistics and transportation (ibid). It is especially favorable for smaller companies that are in their early stages of internationalization; a study of Finnish small companies showed that 35,3 percent utilized the service of domestic intermediaries (ibid). Using the services of a trading houses is generally viewed as a low risk way of exporting since there is a low commitment and the trading houses handle the international exporting responsibilities. Through trading houses, the exporting companies gain the opportunity to try their products on foreign markets which can be difficult to manage themselves (ibid). After their initial indirect exports abroad are determined by the markets demand, they can either increase their export in cooperation with the trading house or increase their export by themselves based on the type of relationship they want with the trading house (ibid). However, as trading houses offer an increasing range of services to stay relevant some exporting companies stick to the trading houses so they can instead solely focus on their core business: the production of their products (ibid).

Moreover, a potential negative aspect of utilizing the services of a trading houses for the small exporting companies is the fear of receiving a lack of commitment if the trading house has several of suppliers. Also, when the producer indirectly exports abroad through trading houses they are not directly connected to the market with the end-customers, which makes them unaware of certain limitations and trends (ibid). This distance between producer and end customer in the foreign market creates loss of control and reduced knowledge of that market (ibid). The producer's lack of knowledge of the foreign markets decreases and limits the growth of a network and international connections abroad (ibid). Sender (1996) further argues that being too reliant on trading houses as a producer could be negative because they never internationalize themselves which results in a distance to their end customers. In line with this, Durham and Lyon (1997) and Vantreese (1992) argue that production companies prefer to have a relationship with their customers in order to understand and better meet the changing

demands, especially regarding the modifications and improvements of their exported products. However, the argument in favor of using trading houses is that the producer might be more efficient if they focus on their core business instead of internationalizing on their own because it can be a resource demanding endeavor and not favorable from a resource-based perspective (see resource-based view theory below). Furthermore, even though trading houses may have an extensive range of knowledge and networks, they sometimes lack knowledge in the specialized or complex products and markets (Welch et al. 2007). This could be the case especially when dealing with the export of products to emerging markets, since those markets are continuously changing and evolving.

To summarize, trading houses is defined as an intermediary actor that facilitates international trade and they continuously adapt to the market demands. There are several strategic management theories that have attempted to explain the evolution of trading houses.

2.1.1 Strategic Management of Trading Houses

Many authors have tried to conceptualize the structure of trading houses; however, it is difficult since the industry is continuously changing and the trading houses have various roles in different regions around the world due to external factors in each market (Balabanis & Baker, 1993b). For example, the Sogo Shosha played and still play a major role in Japan as large conglomerates, driving the development forward, whereas in Europe the trading houses are smaller and more specialized (Balabanis & Baker, 1993a). Kim (1986), one of the earlier authors that tried to conceptualize the phenomenon of trading houses, attempted to create a framework that divides the trading houses processes into three different stages. The framework consists of distinctly separated processes that are based on a financial and institutional perspective (rather than a cultural) and identifies the certain stage of organizational development.

The first step states that trading houses are of high importance for emerging markets and are distinguished by an environment of un-developed infrastructure and fragmented channels of distribution (Ellis, 2001; Kim, 1986). The second stage is defined by increased offerings by the trading house and especially the financial ones where the trading house offers credit and overtakes the financial risks of the supplier. These offerings are facilitated in markets where the local producers are lacking internal funds or where the local banks are unwilling to give

loans. Also, as a financial actor, the trading house overtakes the risk the supplier has by trading with less stable actors. This means that suppliers sell off their risk by using intermediary actors (ibid). The third and last stage is characterized by the trading houses' attempt to strengthen and secure their position through investments abroad. This is mainly due to the threat of local producers internationalizing on their own and increasing national protectionism (ibid). Conclusively, Kim (1986) suggests that, according to and within his framework, trading houses will eventually become similar to Sogo Shosha. He does however come to the conclusion that the evolution of trading houses is not deterministic.

Furthermore, there are other authors that have attempted to understand and describe the nature and evolution of trading houses. Perry (1990) argued that the subject of the evolution of trading houses was neglected and could never be truly understood, which thus led to his attempt at creating his own extensive model. The model that Perry (1990) created was an improvement of the existing Miles' model from 1980. The Miles model concluded that the last stage of a trading house would result in organizational effectiveness. Perry (1990) improved the initial Miles model by adding aspects of other theories such as the transaction cost framework, the agency theory of principal and agent relations and the concept of competitive advantages. The improved Miles' model consists of six steps: Step one includes the changes in the international trade environment affected by economic, political, legal, socio cultural and technological factors. This generates step two which is changes in the task environment for international intermediaries (including trading houses). These changes lead to step three and four that are new competitive advantages such as owner-specific, location and internationalization advantages. These competitive advantages lead to step five which is internal adjustments in terms of processes and structures. Finally, the nature of step five affects the last step which concerns the survival and prosperity of trading houses. Based on the improved Miles model, Perry (1990) concluded that the survival of trading houses is dependent on their ability to adapt and change their businesses offerings and organizational structures as external factors change the international trade environment which is a view accepted by Balabanis and Baker (1993a), Ellis (2001) and Jones (1998) as well.

Regarding the contemporary role of trading houses, most authors seem to agree upon the changing role of trading houses. According to Balabanis and Baker (1993a), trading houses have evolved from being an engine for development and a bridge between actors in different

markets to a more service-oriented offering specialized in specific industries and areas. Trading houses have increasingly diversified and developed a service consisting of financial services as well as a large interorganizational network which brings value to international buyers and suppliers (Balabanis & Baker, 1993a). Improvements in communications and logistical services provided globally is a part of this (ibid). Furthermore, a trend identified in Europe is that trading houses are smaller and more specialized than before (ibid). An example of this is offices that only deal with a certain product and possess spearhead competence and market knowledge about it (ibid).

In summary, the above-mentioned theories and perspectives are similar in their views on the evolution and relevance of trading houses as they all focus on the trading houses ability to successfully adapt to changing external factors (Balabanis & Baker, 1993a; Ellis, 2001; Jones, 1998; Perry, 1990). Furthermore, Balabanis and Baker (1993a) and Ellis (2001) both agree that the path of development for trading houses and new organizational forms is primarily based on market demands and not to the same degree based on governmental actions. The strategic management theories of trading houses presented above are indeed suitable theories to utilize when analyzing trading houses, but in order to create a complete framework that can be used to answer the research question, another concept needs to be defined: the concept of sustainability.

2.2 Defining Sustainability

The subject of sustainability is vaguely defined historically. One of the first clearly defined definitions of the subject was proposed by the Brundtland report in 1987 which stated that sustainable development is: *“development that meets the needs of the present without compromising the ability of future generations to meet their own needs”* (Brundtland, 1987). Building on the perspectives of Brundtland (1987), Elkington (1998) coined the phrase triple bottom line in 1994 which states that sustainability consists of the perspectives of the economy, the environment and the social development simultaneously which makes it an interdisciplinary subject (Elkington, 1998). Furthermore, economic challenges are identified as an obstacle for sustainable development since these challenges generally have negative effects on the environment (Brundtland, 1987). Therefore, it is important to balance economic factors with environmental factors because they together affect society (ibid). Many have elaborated on the definition of sustainability and added other aspects such as the ethical aspect, which has led to

the birth of definitions such as corporate social responsibility, corporate social performance and corporate consciousness (Carrol, 1991; UN, 2015). With this in mind, it is important to recognize that there are multiple different and similar definitions of sustainability when working within the subject. To clarify, in this thesis the definition of sustainability follows the perspective of Brundtland (1987) and the triple bottom line (Elkington, 1998). The following corporate sustainability strategies will consequently be based upon this definition of sustainability.

2.2.1 Corporate Sustainability Strategies

The importance of sustainability increases in many industries due to raised awareness and demands from society (McKinsey, 2011). This has led to an increased demand for sustainable processes since companies desire to find the best practices and strategies to remain relevant (ibid). According to Hart (1995) sustainability strategies could potentially increase competitive advantages for companies (for example trading houses), but as mentioned before, there is limited or no literature on the subject of trading houses and sustainability to this date. With this in mind this subchapter will cover relevant literature on corporate sustainability relating to companies and industries in general.

Sustainability is not an absolute science, but it is a concept that has increased in relevance and therefore increasing amounts of authors have studied the subject and developed literature surrounding it (Brundtland, 1987; UN, 2015). Freeman (1984) was an early and recognized author within the subject and his studies have become a building block for much of corporate sustainability literature over the years. Freeman (1984) developed the stakeholder theory which illuminates the correlation between businesses performance and the companies' relation to external pressures and stakeholders. He developed these thoughts in an attempt to establish a theory that would better explain the current matters of business since he thought that the old views on the subject were outdated (Freeman, 1984). Freeman (1984) argued that a company that endeavors to maximize its profits should include and consider all stakeholders that are connected to the company's organization, strategies and ambitions. Furthermore, Post, Preston and Sachs, (2002) developed the model by Freeman (1984) and defined internal stakeholders as shareholders and employees and external stakeholders as customers, suppliers and the community. Post et al. (2002) highlights the importance of considering all stakeholder networks in order to prosper in a sustainable way. There are, however, different views on the

stakeholder theory; Post et al. (2002) conclude that successful stakeholder partnerships are positively correlated to the firm's financial performance. Moreover, Suchman (1995) proposed a theory on legitimacy which could be viewed as a complement to the stakeholder theory. The legitimacy theory describes a relationship between firms and society in which social values and norms influence the business operations (Suchman, 1995). Both Suchman (1995) and Zeldich and Walker (2003) agree that a firm has legitimacy when the values and norms within the firm are aligned with the community. However, Zeldich and Walker (2003) emphasize the complexity of the matter since different actors have different perceptions of what legitimacy or sustainability is. These authors argue that if the values and norms of the company are not in alignment with the perceptions of the community, it could have negative effects on the business growth (Suchman, 1995; Zeldich & Walker, 2003). DiMaggio and Powell (1983) developed an extensive theory that explains firms' responses to external pressures which is explained hereafter.

2.2.1.1 Institutional Isomorphism

DiMaggio and Powell (1983) argue that firms tend to develop into similar organizations due to external pressures and more specifically stakeholder pressures. DiMaggio and Powell (1983) also state that firms sometimes develop and adjust their strategies in response to regulations regarding sustainability. This perspective which was founded in 1983 is shared by later authors such as Strannegård (2000) who - after observing Swedish multinational companies - also concluded that organizations tend to become increasingly similar due to external pressures. Firms evolving into homogeneous organizations is called institutional isomorphism and DiMaggio and Powell (1983) presents three factors that increase this isomorphism. DiMaggio and Powell (1983) argue that organizations that grow in a sector that contains rational actors, tend to adjust their sustainability strategies according to the other competitors, which increases the homogeneity of actors. Furthermore, DiMaggio and Powell (1983) presents three different factors that define isomorphism: Coercive, Mimetic and Normative.

Coercive: Pressures upon the organization that are projected from other organizations such as suppliers, buyers, consumer or governmental actors that demands certain requirements and qualifications on for example sustainability (DiMaggio & Powell, 1983).

Mimetic: The mimetic isomorphism derives from uncertainty for the organization which means that firms will copy competitors when circumstances and knowledge are uncertain (ibid).

Normative: Normative isomorphism occurs from professionalization, which is the case when a company employ similar employees from certain business background and their shared norms and values will develop the organization in a similar way as their previous work and educational experience (ibid).

2.2.1.2 Responses to Institutional Processes

As DiMaggio and Powell (1983) and Strannegård (2000) state, external pressures from stakeholders affect and form organizations so they become increasingly similar. Oliver (1991) questions this view since organizations' sustainability strategies still differ, even though they are all exposed to the same external pressures. Furthermore, Oliver (1991) presents five different strategies that organizations utilize when being exposed to the same external pressures. The five strategies stated by Oliver (1991) are referred to as: Acquiesce, Compromise, Avoid, Defy and Manipulate, and are presented in figure 2 below.

Strategies	Tactics	Examples
Acquiesce	Habit Imitate Comply	Follow taken-for-granted norms Copy institutional models Obey rules and accept norms
Compromise	Balance Pacify Bargain	Balance multiple stakeholder demands Obey with some resistance Negotiating with stakeholders
Avoid	Conceal Buffer Escape	Decouple policy from practice (cf. M&R) Reduce external inspection Exit the pressure domain
Defy	Dismiss Challenge Attack	Ignore explicit rules and values Contest rules and requirements Assault the source of the pressure
Manipulate	Co-opt Influence Control	Internalize and "bribe" stakeholders Lobby and shape stakeholders' demands Dominate stakeholders

Figure 2. Strategic Responses in Institutional Processes

(Oliver, page 152, 1991)

Furthermore, Oliver (1991) states that institutional and resource-based views push organizations to adjust in different ways than pressures from the external environment do. This is based on the assumption that the corporate environment is composite and linked. The external pressures are what push the organizations to become more similar and affect the organization's processes and policies i.e. institutional isomorphism (DiMaggio & Powell, 1983). However, according to Oliver (1991) organizations choose their strategies based on their individual strengths and capabilities in order to gain and increase legitimacy, influence, public approval, internal and external engagement and availability of resources. Furthermore, Oliver (1991) states that whether or not an organization chooses to apply a passive or active strategy towards external pressures is determined by the organization's internal beliefs and convictions. Moreover, Delmas and Toffel (2008) along with Kitzmüller and Shimshak (2012) argue that organizations often establish new processes that are not always favorable from a cost efficiency perspective but are still necessary in order to satisfy external pressures from institutions such as for example new laws and regulations. Oliver (1991) further explains that organizations apply their strategies in regard to external pressures based on their knowledge and management control. As organizations do not want to lose control or act in uncertainty, they are less inclined to actively adapt to external pressures when the outcomes are unsure (Oliver, 1991). Since active strategies under uncertain circumstances could decrease the underlying goal of the organizations - which is to increase profits for their stakeholders - the organizations are thus more likely to adapt to external pressures when they can predict positive economic or societal outcomes (ibid). A different view is stated by Kitzmüller and Shimshak (2012) who argue that some organizations develop sustainability strategies not to meet a demand from the market or to satisfy institutional regulations but simply as a business strategy. With this in mind, it is up to companies to decide whether to be different to others or similar.

2.2.1.3 Isomorphism - "To be different or to be the same?"

Deephouse (1999) developed his thoughts on institutional isomorphism by highlighting the question regarding the outcomes for firms being different or similar to their competitors. The author discusses the positive and negative aspects from both sides. Firstly, Deephouse (1999) states that being different might increase performance and provide competitive advantages but could also increase the risk of becoming too diversified and therefore irrelevant. Secondly, Deephouse (1999) proposes that being similar to others increases legitimacy for the organization which can also increase performance, but the potential of gaining competitive

advantages decreases when being too similar. Conclusively, Deephouse (1999) highlights the importance of finding a balance between the two perspectives in the development of the organization's strategy. According to Deephouse (1999), the most beneficial strategy is therefore when the organization is as different as possible but still possess legitimacy in what they are doing. Hart (1995) also discusses the potential advantages of being different which is presented in the next chapter.

2.2.1.4 Natural-Resource Based View

Hart (1995) proposes that being different and proactive regarding the organization's strategy and more specifically sustainability strategies could be favorable and provide competitive advantages. This advantage could be obtained by proactiveness in sustainable strategies including cost cutting and first mover advantages which can allow a good positioning in the future where corporate sustainability is more extensively integrated (Hart, 1995). Hart (1995) developed three coordinated strategies (visible in figure 3 below) that could deliver competitive advantages based on the organization's contact with the natural environment. The first strategy stage is pollution prevention which has the lowest level of commitment and also the lowest impact on environmental sustainability (ibid). The pollution prevention stage includes activities such as minimizing emissions and waste while increasing efficiency (ibid). The second stage is product stewardship with both a higher commitment level and a greater impact on environmental sustainability (ibid). Product stewardship is about minimizing the negative impacts on the environment from products (ibid). The last stage is sustainable development with the highest level of commitment and the greatest positive impact on the environmental sustainability (ibid). This stage includes the minimization of negative effects on the environment in relation to the firm's growth and development (ibid).

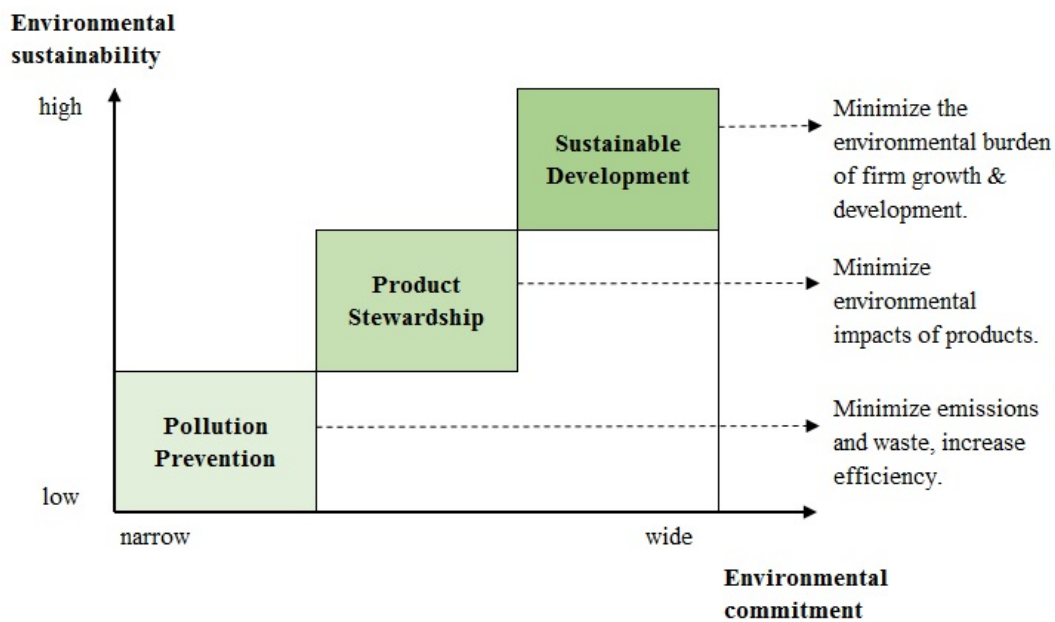


Figure 3. Hart's Strategic Three Step Theory

(Hart, page 992, 1995)

Porter and van der Linde (1995) agree with the views from Hart (1995) and further proposes that environmental regulations do not have to mean negative effects for organizations due to increased costs and clean up processes. Porter and van der Linde (1995) argue that organizations who have the ability to adapt and utilize innovation successfully can create competitive advantages through their engagement in sustainability processes. Furthermore, Porter and van der Linde (1995) stress the importance of how organizations use their resources instead of what resources they have in order to become increasingly competitive. Moreover, Porter and van der Linde's (1995) arguments state that when organizations are exposed to external pressures such as environmental regulations, only the organizations that are able to adapt quickly through innovative solutions are able to obtain competitive advantages. In relation to the discussion on whether organizations can gain competitive advantages through sustainability strategies, Dangelico and Pontrandolfo (2015) investigated this subject on 113 organizations. Using the resource-based view, Dangelico and Pontrandolfo (2015) received results that proposed a positive correlation between organization's performance and capabilities of implementing environmental actions and collaborations. Conclusively, Hart together with other authors have revisited Harts original studies and concluded that the original

findings and model is even more relevant today at the same as sustainability challenges have increased greatly (Hart, Dowell, Barney, Ketchen & Wright, 2011). The corporate sustainability strategies discussed above are limited and in order to grasp and analyze the thesis subject, additional strategic management theories are required.

2.3 Strategic Management Theories

There are many different strategic management theories that have influenced and defined how to view different strategic approaches. A few influential are Porter (1980), Mintzberg (1978), Barney (1991), Chandler (1962) and Sloan (1963). Porter (1980) has contributed with his famous strategic theory of five forces and his theories on firms' competitive advantage. Mintzberg (1978) was critical of the strictly defined strategic theories and argued that strategy is more of a pattern in a stream of decisions. Further, Barney (1991) presented the article "Firm Resources and Sustained Competitive Advantages" which built on the resource-based view regarding firm strategy. Earlier views of strategic management were developed by authors such as Chandler (1962) and Sloan (1963) who presented views on rational decision-making, profitability and a separation between the decision makers and the implementation. Moreover, this subchapter will elaborate more extensively on the strategic management theories of Barney (1991) and Vargo and Lusch (2004) as the resource-based view and the service-dominant logic are suitable perspectives to view the contemporary change in the trading house industry.

2.3.1 The Resource-Based View

The resource-based view is a strategic management theory that is widely recited in corporate strategic literature; the purpose of the theory is to explain how to create competitive advantages. The resource-based view was introduced by Wernerfelt in 1984 with the article "A Resource-Based View of the Firm" based on Penrose's (1959) idea of viewing firms as an entity built up by several and different resources. Wernerfelts (1984) theory was established in an attempt to provide a framework for how companies could identify their resources as strengths and weaknesses when choosing a suitable business strategy. Barney (1991) further developed the theory of Wernerfelt in 1991 and refined and added arguments on how to achieve sustained competitive advantages. The framework builds upon the company's ability to successfully identify and understand their own strengths and weaknesses in terms of resources in order to create sustained competitive advantages (Barney, 1991). The resources of a company include all knowledge, assets, organizational processes, specific firm aspects, information and

capabilities that the firm controls and are able to utilize to improve their efficiency (ibid). Barney (1991) argues that the capability of a firm to identify and utilize their resources in an appropriate strategy can lead to competitive advantages or sustained competitive advantages. According to Barney, (1991) a competitive advantage occurs when a firm is implementing a strategy that no other competitor is currently doing; a sustained competitive advantage is similar and under the same conditions, but the strategy is also unable to be duplicated by competitors. There are different views on sustained competitive advantages and authors have defined it as simply being a competitive advantage but for a longer period of time (Jacobsen, 1988; Porter, 1985). However, Barney (1991) disagrees with this definition and argues that a sustained competitive advantage is only achieved when the strategy is still at an advantage even when other competitors have tried to imitate it but failed, in line with the views of Lippman and Rumelt (1982) and Rumelt (1984). Furthermore, Barney (1991) states that even if a competitive advantage is sustained at the moment and is not able to be duplicated by competitors, changes in the market or the economic structures could alter the conditions and reduce the advantage to be only competitive. To obtain competitive advantages or sustained competitive advantages, four aspects are considered for the specific firm which is hereby referred to as the VRIS-criteria (Barney, 1991).

Valuable: Competitive advantage and sustained competitive advantage can only be obtained when a resource is valuable. This means that a resource is valuable is when it allows the company to apply strategies that enhance efficiency (ibid).

Rare: Normally, in order for a firm to get competitive advantage or sustained competitive advantage, the resource cannot be owned by too many competitors at the same time. When implementing a value creating strategy, without other companies doing it, advantages can be possessed (ibid).

Imperfectly Imitable: Companies that have valuable and rare resources could lead to competitive advantages but in order to be sustained they need to be impossible to imitate (ibid).

Substitutability: The last VRIS-criteria states that a sustained competitive advantage is only a possibility when other firms do not have resources that are equivalent and could lead to a similar strategy (ibid). Therefore, a company does not only need to have rare and non-imitable

resources, but it is also a necessity that other competitors must not have resources that could lead to the same strategy.

In summary, the resource-based view with the VRIS-framework is suitable to take into account in order to detect sustained and competitive advantages. However, this view may create even more value and become more accurate when used in combination with the service-dominant logic.

2.3.2 Service-Dominant Logic

The service-dominant logic can be seen as a complement to the resource-based view as it encompasses the current change in a company's offerings from products to services (which could be part of Barney's VRIS-criteria). Vargo and Lusch developed the service-dominant logic in 2004 which identified a change in a company's offerings from the perspective of strictly tangible goods to more service-oriented intangible offerings. Formerly, the main studies of marketing are based on the trade of commodities i.e. tangible assets, but there is a shift towards the more developed value that companies offer in terms of services and intangible assets (Vargo & Lusch, 2004). This new perspective indicates that there are more aspects to consider when doing business and not only the four P's (product, price, place and promotion) (ibid). The new aspects to consider when doing business is more of the intangible sort such as specific knowledge and specialized processes and the providing of services such as financing, network, partnerships, ownership (asset risk) etc (ibid).

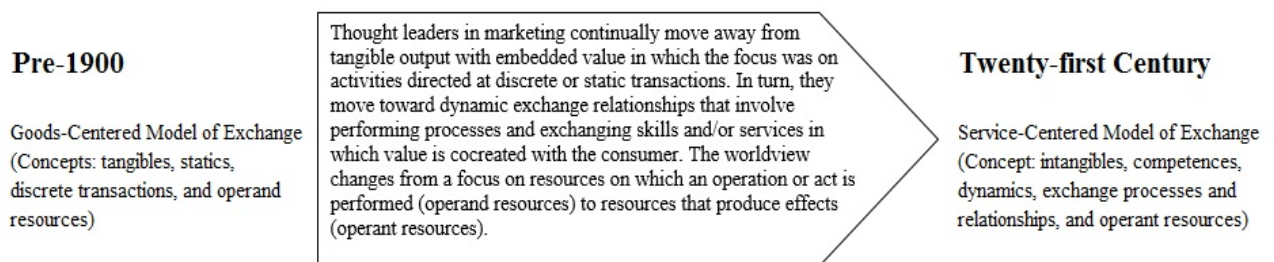


Figure 4. Service-Dominant Logic

(Vargo & Lusch, page 4, 2004)

As visible in figure 4, that was constructed by Vargo and Lusch, the service-dominant logic argues that actors have moved away from focusing on tangibles and evolved into a more dynamic, relationship service focused perspective. Vargo and Lusch (2004) present the shift of focus from operand resources to operant resources, defining operand resources as the production output and operant resources as more intangible assets that enhance the output. Operant resources are often invisible, intangible and part of the service offering and usually stem from the companies' specific knowledge, processes and competences. The service-centered view stated by Vargo and Lusch (2004) is presented below in figure 5:

1.	Identify or develop core competences, the fundamental knowledge and skills of an economic entity that represent potential competitive advantage.
2.	Identify other entities (potential customers) that could benefit from these competences.
3.	Cultivate relationships that involve the customers in developing customized, competitively compelling value propositions to meet specific needs.
4.	Gauge marketplace feedback by analyzing financial performance from exchange to learn how to improve the firm's offering to customers and improve firm performance.

Figure 5. Service-Centered View

(Vargo & Lusch, page 5, 2004)

This service-centered view is based on the company's attempt to continuously improve and enhance their service offering to achieve competitive advantages towards their rivals (Vargo & Lusch, 2004). Further, Vargo and Lusch (2004) argue that people and companies have different knowledge and that the tangible good that is transferred is no longer the main focus but rather the offering consisting of both the good and the specialized knowledge and surrounding services that the actor provides. Conclusively, the authors argue that it is important to not separate the terms good and services but instead view them as interlinked and that the customer buys an offering, rather than a good or a certain service that enhances the good (ibid). Based on the theories and literature presented in this theoretical chapter a conceptual model that illustrates how the framework was used is provided in the following subchapter.

2.4 Conceptual Framework

In order to investigate the relationship between a trading house and its suppliers from a sustainability perspective, a conceptual framework presented in figure 6 was established in order to facilitate a holistic understanding. The three themes identified in the literature are trading house theories, corporate sustainability theories and strategic management theories. With aforementioned theories and the analysis of the empirics, the framework should be able to provide answers to the research question and a potential trading house sustainability strategy for a contemporary Swedish trading house.

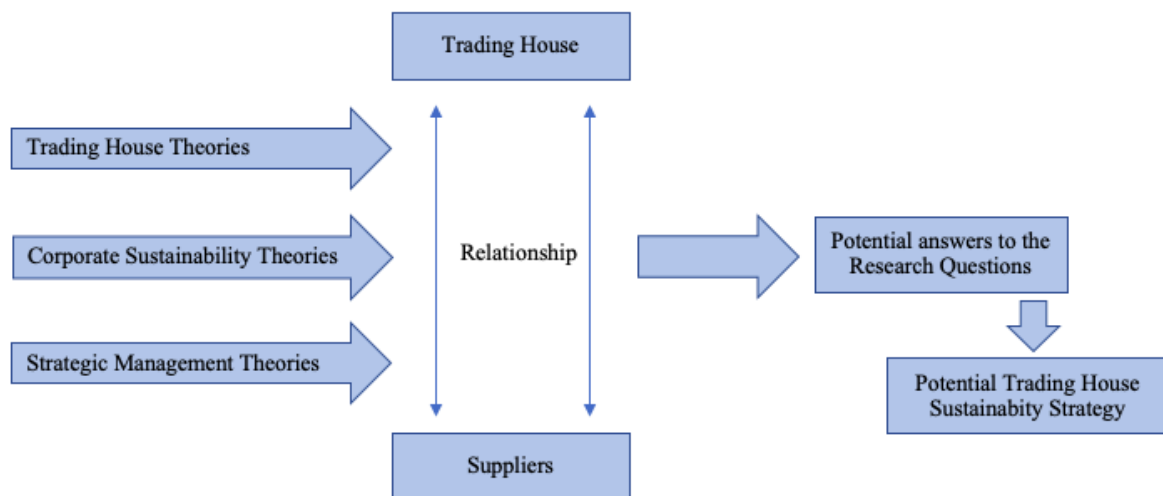


Figure 6. Conceptual Model - compiled by authors

In summary, the theoretical framework was established with the aim to increase the understanding of the thesis subject and facilitate the analysis. Next, after having an established theoretical framework and research question, the most suitable methodology is presented in the next chapter.

3. Method

This chapter presents and motivates the chosen methodology that was used to access, gather and filtrate the acquired data. The chapter covers the research design, research sampling, data collection and the quality of chosen methodology.

3.1 Orientation of Research

This thesis aims to investigate and produce greater knowledge regarding the relationship between a Swedish trading house and its suppliers from a sustainability perspective. In order to achieve this goal, a qualitative research approach with a case study design is chosen; a qualitative research approach includes perspectives and perceptions from different representatives with unique experiences when investigating a complex issue. The research question is how, which makes a qualitative research approach suitable (instead of for example a concrete method such as quantitative) since it aims to provide explanations to an issue from respondents and participants interpretations from that world (Bryman & Bell, 2011). The case study design is widely used in business and management-oriented research and therefore makes a suitable design for this thesis as well (Bryman & Bell, 2011). Further, Ghauri and Firth (2009) argue that the case study approach can be favorable within international business research since it is a cross-cultural and international setting. This is because a case study creates an understanding of different aspects such as culture and background and can therefore be an efficient and relevant way to collect data in the international environment. Since KorCo AB is an international company with international suppliers, this further strengthens the choice of using the case study approach. When conducting a case study, it is important to bear in mind that the observed company or event is not operating in a fixed setting, but is affected by external factors such as institutions, regulations, macroeconomics, market adjustments, trends and competitors (Collis & Hussey, 2009). Therefore, it is equally important to recognize the fact that the aforementioned aspects are ever changing, which will affect this case study as well; thus, the procedures and results from this thesis might change in the future (ibid). With this in mind and in order to become a proper case study, it is necessary to clearly limit the subject and clarify the chosen case, which in this case is the trading house KorCo AB's processes and operations towards their suppliers in relation to sustainability (Merriam, 1998). Further, there is always a risk with this chosen methodology, namely that the collected data might be too wide and unspecific to successfully answer the research question. However, since this case study

focuses on one trading house and their sustainability work and their supplier relationships, it seems likely that the collected data from KorCo AB and the interviews with the suppliers will be able to answer the proposed research question. Furthermore, according to Bell and Bryman (2011), a case study is favorable when trying to obtain information on a specific event or an organization as the nature of the information is otherwise often hard to obtain. Additionally, the case study design allows the authors to look into an event or an organization with great detail, thus facilitating the withdrawal of requested knowledge (Yin, 2014). Yin (2014) further states that the case study approach is relevant when the study is focusing on contemporary events and there is no control over the behavioral aspects of the research subject. Since this thesis focuses on a single trading house's relationship to its suppliers from a sustainability perspective and the role of competitive advantages, the case study design seems as the most appropriate approach since it could answer the questions of How and Why (ibid).

3.1.1 Nature of Research

Moreover, when conducting a case study, the design will either be of a deductive, inductive or abductive nature depending on the nature of the research (Bryman & Bell, 2015). As this research is conducted with both existing theories together with collected primary data through interviews, and thereafter compared continuously through the thesis, the research approach is highly abductive. This approach includes discussions and comparisons between the theories and the empirics back and forth in order to gradually produce an understanding and to reach conclusions. Further, the abductive research design is suitable for this case study since this thesis progresses between existing theories and the collected data in order to increase the knowledge successively (ibid). This thesis was done by conducting a qualitative case study including data collected from the selected trading house combined with interviews with representatives of the company and suppliers connected to the company in question. A hermeneutical perspective was applied on the data in order to successfully understand and draw conclusions from it (De Geer, Borglund & Frostenson, 2004; Marschan-Piekkari & Welch, 2004; Noorderhaven, 2004). The hermeneutical perspective has a greater emphasis on understanding the case as a whole rather than finding a specific explanation for it (De Geer et al. 2004). Further, this perspective is applied throughout the thesis as thoughts are continuously elaborated upon and presented on both the case study company, the suppliers, theories and second opinions from other academics. This, in turn, allows the discourse to thrive. With this chosen methodology approach, the research process is presented in the next subchapter.

3.2 Research Process

The research process consisted of six different periods as presented in figure 7. The first period included pre-screening and problem discussions together with the case company KorCo AB. During this period the primary research question emerged and opened up for pre-screening of contemporary theories. This led to the second period during which the theoretical framework was established from existing relevant theories within the subject as well as logic reasoning regarding the choice of suitable methodology for the subject. These two periods facilitated the understanding of the subject and lead to the initiation of the two data gathering periods i.e. case company data gathering and supplier companies' data gathering. The case company data gathering was conducted over a period of three months through open-ended virtual meetings, physical meetings and emails. The second period of data gathering from the supplier companies was conducted during a period of two months where all interviews were conducted and transcribed. This led to the fifth period during which the collected data was managed, and relevant and important findings and aspects were identified and presented in the empirical chapter. The last period was an analytic part where the empirics were analyzed within the theoretical framework which enabled logical conclusions to be drawn.

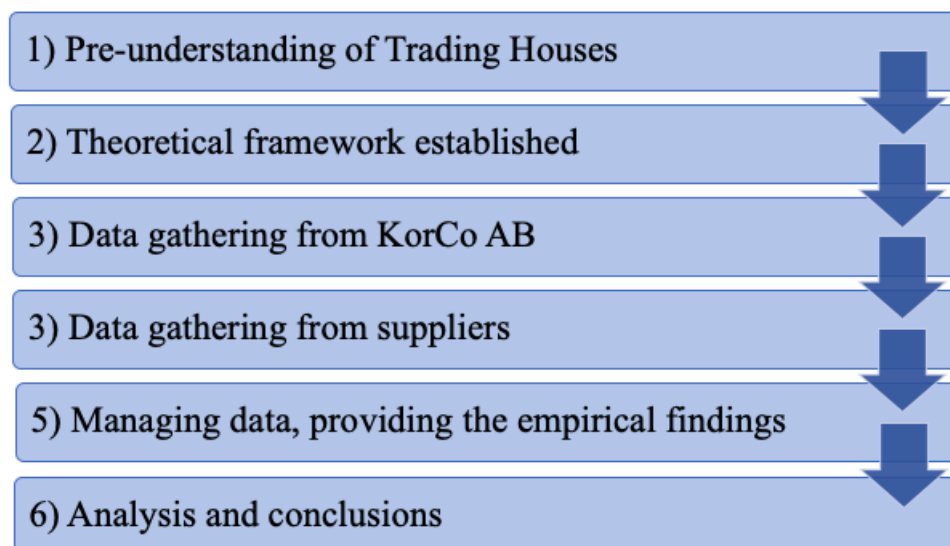


Figure 7. Research Process - compiled by authors

3.3 Research sample

Since the thesis aims to contribute to a wide and faceted understanding of the relationship between a Swedish trading house and its suppliers from a sustainability perspective, several intermediary actors were contacted. The sampling criteria for this case study was that the trading house had to be located in Gothenburg, with an international reach, with multiple suppliers and having sustainability as an important factor in their business. KorCo AB was ultimately selected since they also had an interest in corporate sustainability for international trading houses.

There are several of trading houses in the Gothenburg area but with the time limit in mind, it was of more value to dig deeper into one company with multiple suppliers, rather than just getting an overview of several of trading houses actors. Also, as the thesis is focusing on sustainability for trading houses with a supplier-driven perspective, it is more valuable to interview multiple suppliers to one specific trading house instead of several trading houses and few suppliers. Further, two representatives, one sustainability representative and one sales representative, were interviewed at each chosen supplier company. This was done, in order to collect the necessary data in order to answer the two parts of the research question i.e. the relationship from a sustainability perspective and the role of competitive advantages. It was also done to increase transparency, since the different views from the representatives combined provides more genuine insights of the company. The potential demand from the suppliers will most likely be similar for most trading houses that act in the pulp and paper industry, since there are few suppliers and they all strive to increase sustainable solutions (McKinsey, 2019). KorCo AB was therefore a suitable company for this case study for multiple reasons: their location in Gothenburg, their international reach, their multiple supplier relationships, them being an actor in developing countries and their interest for sustainable solutions. Another important factor behind the choice of KorCo AB as this case study's focus was their interest in new potential sustainable solutions, since a positive view on the subject from the case company also facilitates the thesis process.

Moreover, KorCo AB shared information about their most important suppliers that they have had long-term collaborations with. With this information, eight companies were contacted, and five companies participated in this thesis research. The companies are stated below.

- BillerudKorsnäs
- Stora Enso
- Metsä Board
- Fiskeby
- Graphic Packaging.

The five companies consisted of two Swedish companies, two Finnish companies and one American company. First contact with the suppliers was initiated through email and over telephone to schedule the telephone interviews.

3.4 Data Gathering Methodology

The data for this case study was gathered through meetings with representatives from KorCo AB as well as secondary data from their internal documents and website. The data from the suppliers was gathered through phone interviews with representatives at the chosen companies as well as secondary data from their websites. The initial contact and the nature of the meetings are presented in greater detail below.

3.4.1 Meetings Guide with KorCo AB

First contact was made through personal interaction at a career fair with a Korab (the parent company) representative. As the thesis subject had already been formulated, the first contact included a short pitch to the Korab representative who then requested an email with the thesis pitch to send forward to relevant people within the company. The e-mail with the specified research topic was forwarded to a manager at KorCo AB (the subsidiary of Korab) who responded, interested. After some e-mail correspondence a virtual conference meeting was arranged with a more thorough explanation of the research subject. The subject pitch was well received and a meeting at KorCo AB with the manager and the CEO was conducted. After a successful meeting, KorCo AB encouraged the initiation of the thesis work. Further, they agreed to cooperate and share requested data and information about their company and their suppliers, which was a necessity for the completion of the thesis.

In order to understand the business and to identify relevant suppliers for further interviews, meetings were held with representatives from the company, including the CEO and partners. The first meeting was both informative in terms of their business but also included a discussion

on whether or not our research subject was of interest to their company. Further, the additional three meetings were held with the partner Robin Knapp at their headquarters in Gothenburg where he presented detailed information about their business operations and supplier relationships. The topics during these meetings included KorCo AB background and processes, their relationship to their suppliers and their sustainability views. The four physical meetings, one virtual meeting and continuous e-mail correspondence consisting of roughly 40 emails were conducted as an open-ended discussion throughout the research period which has provided the empirics surrounding KorCo AB as a trading house.

3.4.1.1 Meetings with KorCo AB

As presented in table 1 below, the meetings were conducted between the 28th of November 2019 and the 25th of February 2020. The first meeting was a virtual meeting and consisted of a shorter discussion whether the company could be suitable for the thesis research. The following meetings were all physical ones and lasted around 60 minutes covering relevant information about KorCo AB and their suppliers for the thesis.

Company	Name	Position	Location	Date	Type of interview	Interview length
KorCo AB	Robin Knapp	Co-Founder	Sweden	28th of November 2019	Virtual meeting	15 min
KorCo AB	Peter Ljungsvik	CEO	Sweden	16th of December 2019	Meeting	60 min
KorCo AB	Robin Knapp	Co-Founder	Sweden	16th of December 2019	Meeting	60 min
KorCo AB	Peter Ljungsvik	CEO	Sweden	16th of December 2019	Lunch meeting	60 min
KorCo AB	Robin Knapp	Co-Founder	Sweden	16th of December 2019	Lunch meeting	60 min
KorCo AB	Jens Galatius	Co-Founder	Sweden	16th of December 2019	Lunch meeting	60 min
KorCo AB	Robin Knapp	Co-Founder	Sweden	4th of February 2020	Meeting	60 min
KorCo AB	Robin Knapp	Co-Founder	Sweden	25th of February 2020	Meeting	60 min

Table 1. Meetings Overview - compiled by authors

This table provides an overview of the meetings with KorCo AB representatives and the following chapter will provide a guide of the interviews with the suppliers.

3.4.2 Suppliers Interview Guide

Ten interviews were conducted and two of the interviews were with representatives from each supplier (one representative from sales and one from sustainability). After initial contact and having the telephone meetings booked, the interviews were conducted via telephone, and recorded and transcribed. This procedure was undertaken due to the COVID-19 pandemic where social distancing was advised by government and school board authorities. Another reason behind this choice of procedure was the fact that several of the interviewees were based in faraway locations. The choice of telephone interviews was an efficient way to reach all the interviewees during the circumstances, but it is acknowledged that there were some limitations compared to having face-to-face interviews. This as face-to-face interviews allows deeper interpretation based on the interviewees' location and their facial expressions. In addition, as this paper aims to treat all information and data gathered from the interviewees equally, it was deemed favorable to conduct all interviews using the same method. In order to get valid interview responses, two independent representatives from each supplier were interviewed. The aim was to interview one sustainability representative and another more business-oriented representative such as a business strategist / sales manager. The interviews were conducted independently between each company's representatives in order to get a more transparent perspective of the suppliers' views.

The conducted interviews with the representatives from each supplier were done using a semi-structured interview approach. This method is suitable when you want the interview to be more flexible i.e. allowing the conversation to open up for discussions about important aspects of the subject. This could possibly lead to the access of information that would not have been obtained otherwise (Bryman & Bell, 2011). All of the interviews were done over telephone and recorded to ensure transparency and validity. The recorded interviews were transcribed and were later used during the analysis part. Out of the ten conducted interviews five were held in Swedish as both the interviewees and interviewers were native Swedish speakers. The interviews were then translated from Swedish to English before being published in the empirical chapter. The information is deemed to be accurately translated and not misinterpreted since the authors have extensive experience and are fluent in English from academia, professional English occupations and from living in English speaking countries. Both authors were present in all of the interviews and in the translations, which is positive as it increases the validity. The interviewees from each company were interviewed separately to increase the likeliness of

receiving impartial answers to facilitate the later analysis. The interviews followed the interview questions quite strictly with a limited acceptance of getting off topic, which the semi-structured approach demands (ibid). By following this method, the process of analyzing the different representatives and their perspectives becomes more straightforward and simplified when they all answer the same questions. In the next subchapter an overview of the interviews is presented.

3.4.3 Supplier Interviews

As presented in table 2 below, the interviews were conducted via telephone with all companies and their representatives. All of the interviews were held between 10th of March and the 7th of April and were approximately between 20 to 40 minutes each.

Company	Name	Position	Location	Date	Type of interview	Interview length
BillerudKorsnäs	Peter Schotte	Key Account Manager	Sweden	1st of April 2020	Telephone	30 min
BillerudKorsnäs	Jessica Bissmark	Sustainability and Communication Manager	Sweden	4th of April 2020	Telephone	20 min
Stora Enso	Staffan Edlund	Director of Sales	Sweden	30th of March 2020	Telephone	30 min
Stora Enso	Jesse Rep	Director of Sustainability	Sweden	7th of April 2020	Telephone	30 min
Metsä Board	Juha Lounasvaara	Account Director - Marketing and Sales	Finland	16th of March 2020	Telephone	20 min
Metsä Board	Anne Uusitalo	Director of Product Safety and Sustainability	Finland	20th of March 2020	Telephone	30 min
Fiskeby	Anders Nyrén	Director of Sales	Sweden	10th of March 2020	Telephone	30 min
Fiskeby	Cecilia Halling Linder	Environmental and Quality Manager	Sweden	13th of March 2020	Telephone	20 min
Graphic Packaging	Brett Wade	Global Segment Manager	USA	16th of March 2020	Telephone	35 min
Graphic Packaging	Michael Heldman	Director of Innovation and Sustainability	USA	13th of March 2020	Telephone	40 min

Table 2. Interview Overview - compiled by authors

3.5 Analytical Process

The analytical process was built simultaneously as the theoretical and data gathering process of the case study. As the empirics evolved, the theoretical framework was re-analyzed and adjusted back and forth throughout the thesis. At the same time, the empirics gathered were continuously re-analyzed in accordance to the theories in order to identify relevant aspects and

topics. Throughout the analysis of the empirics, the empirics were divided into different sub-categories to facilitate the understanding and analysis of the collected data. As the gathered empirical data was transcribed, the data was re-listened to and re-analyzed throughout the whole process in order to reduce the possibility of missing important data and to reduce the risk of mistakes and misunderstandings. In a similar manner the long and open-ended discussion contact with KorCo AB reduced the risk of misunderstandings and the data gathered was analyzed continuously as the empirical chapter evolved. Furthermore, frequent contact and elaboration with an academic supervisor provided additional perspectives on the analysis and facilitated the evaluation of the process during the thesis period. The empirical data was cross analyzed between the different representatives' answers to provide a general perception and to grasp what the majority of them believed. Based on the findings from the representatives combined with the theories, the analysis was then conducted, and a suitable suggestion of a sustainability strategy model was established.

3.6 Quality of research

To ensure that the research is valid, tests can be undertaken to measure the study's validity and reliability (Yin, 2014). According to Bryman and Bell (2011) it is highly important, especially when conducting qualitative research, to have a high trustworthiness; with the considerations below in 3.5.1 and 3.6 the aim is to increase this trustworthiness. The trustworthiness of the study increases the legitimacy of its findings.

3.6.1 Validity and Reliability

The definition of validity states that with a high level of validity the research is able to actually explain and answer the questions of the specific subject (Bryman & Bell, 2011; Mason, 1996). The representatives were identified with this definition of validity in mind and deemed relevant and important actors in relation to the chosen research subject. Further, the representatives were well prepared and familiar with the research subject through initial email correspondence before the interviews. The interview process covered ten interviews with five different suppliers. The interviews were limited to ten due to the time frame and the COVID-19 pandemic, however since the pulp and paper market is quite consolidated and the most important suppliers from KorCo ABs perspective were interviewed, the amount can be considered to provide sufficient and valid findings for this thesis. As multiple companies and representatives from different positions in each company were interviewed, the perspective and

data collected is extensive and provides a strong base to analyze and reach conclusions on. Representatives from the same company were interviewed individually in order to understand the potential different perspectives on the subject. After the interviews, the collected data was transcribed to increase transparency and validity but also to facilitate a proper and deep analysis of the data. According to Bryman and Bell (2011) a part of validity is the transferability of the thesis findings which relates to the generalization of the findings. It is difficult to generalize and provide relevant findings to a subject when using the case study approach since only one company and their unique nature and processes are investigated. It is relevant to acknowledge that this thesis findings could possibly be more transferable if more companies were included. However, as mentioned earlier the suppliers in the pulp and paper industry are consolidated and all strive to increase sustainability solutions. Therefore, it is likely that most of the trading houses in this industry will receive similar demands of sustainability inclusion from the suppliers, thus increasing the transferability of the findings from this thesis. Therefore, although only one trading house is investigated in this thesis, the results and findings could possibly be of use and applied to other actors in the industry as well. This is further strengthened by the multiple views from the suppliers; the concluded findings are likely to be relevant and interesting to other trading houses and the future academic researches as well.

Reliability is defined as the degree to which the procedures and processes can be replicated over time. The reliability of the thesis increases the trustworthiness of the thesis findings (Bryman & Bell, 2011). The reliability of the findings is strengthened if the replicability is high as this enables future research to test whether the findings were unique in the present or if the findings are similar over time. Since the chosen approach of this paper has treated all the representatives in the same manner by providing an explanation of the subject, interviews conducted via telephone and all the representatives being asked the same questions, the reliability of the results is increased. Further, as all of the interviews were recorded and transcribed, the interviews were all able to be reused and relistened to which in turn decreased the risk of misinterpretations or misunderstandings when assembling the empirical data. Through strict consistency, using the same procedures and measurements, the reliability is increased further. In terms of replicability the interview questions used in the interviews with the suppliers are stated in Appendix 1. This enables other studies to reuse them in similar research.

3.7 Ethical Considerations

When conducting a thesis, it is vital to consider the ethical aspects in order to get a suitable and valid research (Bryman & Bell, 2011). Firstly, the issue of biased perspectives can affect the thesis outcome negatively and therefore it is important that the authors remain as objective as possible (ibid). None of the authors of this paper have had any previous connections to or experiences of the involved companies and representatives nor with the trading house industry in general. Thus, the analysis and understanding of the case is not influenced by biased or pre-determined views from the authors. These facts will most likely facilitate an objective interpretation of the subject (ibid).

Further, all of the interviewees were contacted before the interviews in order to receive their consent to participate and were also provided with the underlying reasons behind the interviews which allowed them to understand the research subject and prepare themselves (Saunders, Lewis & Thornhill, 2012). Regarding the confidential or harmful information, there was an understanding with the interviewees that this paper would not publish any information that the representatives or companies did not accept (Bryman & Bell, 2011). Throughout the interviews, it was important to remain objective and not to try to force or distort the representatives' answers in order to make them a better fit the subject. Connected to this it was also important to not exaggerate the findings in order to successfully answer the research question (ibid). Based on the chosen methodology perspectives, the data gathering has provided the empirical data presented in the next chapter.

4. Empirical Data

This chapter presents the empirical findings of the thesis. The case study company of focus KorCo AB is presented and then the five selected suppliers. Each supplier company is presented separately with a brief company presentation followed by the empirical data collected from the interviews. Lastly, a summary of the chapter is presented.

4.1 KorCo AB

This empirical chapter presents the case study company and their current sustainability work based on secondary data such as reports and the open-ended meetings and discussions with KorCo AB representatives.

4.1.1 Company Presentation

This case study is focusing on KorCo AB and their relationship to their suppliers. The management team at KorCo AB who were in the meetings and contributed to the empirics are Robin Knapp, Peter Ljungsvik and Jens Galatius. The closest contact that was established was with the Co-Founder of KorCo AB, Robin Knapp, who acts as a Business Director and has a background in Business Administration and extensive experience from the Swedish Trading House cluster in Gothenburg, Sweden. The second contact was Peter Ljungsvik who is the CEO of KorCo AB who also has an extensive background in the Swedish trading house cluster through other managing positions as well. Lastly, the third contact was Jens Galatius who also is one of the Co-Founders and Business Directors of KorCo AB. He too has a great professional background in the cluster as well as an educational background in Finance. Through the open-ended meetings the representatives shared information about their business which has contributed to the following empirics.

KorCo AB was founded in 2009 and in 2018 their net sales were € 76,6 million. Their headquarters is located in Gothenburg with a total of 14 employees of which 5 work with sales and 9 with administration (KorCo AB Annual Report, 2018). KorCo AB is based in Sweden and is involved with businesses on a global scale on several markets (KorCo AB Annual Report, 2018). KorCo AB is a subsidiary of the renowned international trading house Korab which was established in 1912 in Istanbul, Turkey (Korab, 2020). Korab is an international trading house focusing on the pulp and paper industry and specializes in customization services

within logistics and finance to their suppliers and customers. KorCo AB was founded as a response to the changing demands of the pulp and paper industry and acts as an international trading house that focuses on “discounted papers” that suppliers do not consider to be their core business (KorCo AB, 2020). KorCo AB identified an evident gap in the market for these products, as discounted paper was not seen as a product with considerable value to other trading houses. These discounted papers have become the company’s primary area of expertise and their business model builds solely upon trading these products. According to KorCo AB, suppliers should utilize KorCo AB’s services since they offer unique international market insights, flexibility, financial services and extensive networks. The unique international market insights are based on the employees’ extensive experience and frequent physical presence on the emerging markets that are their main segment. KorCo AB’s ability to offer flexibility is possible thanks to their network of many customers and multiple warehouses that has the capacity to handle large orders on short notice. The financial position of KorCo AB allows them to offer financial services to the suppliers which entails taking over the risk when dealing with customers in emerging markets, which otherwise could propose a limitation for the risk-averse suppliers. The extensive networks that KorCo AB is a part of are based on professionalism when selecting reliable partners in emerging markets; reliable partners can be hard to identify without extensive knowledge of the specific market.

The products that KorCo AB handle are discounted papers that consist of covers fill-out orders, side-runs and stocklots. Knapp explains what discounted papers are more detailed by stating:

“When the suppliers produce paper to their main customers, the paper width might be 3m. But the customer wants 2,5m width. Then they cut the paper and the remaining 0,5m paper is the discounted part that we buy and sell to our customers.”

These products are bought and sold by KorCo AB and handled through their supply chain to customers worldwide but mainly in emerging markets (KorCo AB, 2020). KorCo AB buy the discounted papers from suppliers both domestically and internationally and state that it is a supplier-driven industry. KorCo AB have long-term and strong relationships with their suppliers and therefore the trading details are already specified which makes the trades efficient and fast. When they have a direct buyer to the goods they handle, the transportation from the supplier to the customer is a straight line. Furthermore, KorCo AB works extensively with open

orders which means that they buy everything that their supplier supplies in the scope of KorCo AB's product offerings. These open orders are especially done with their larger suppliers. Many times, open orders are bought before the end customer is identified and when there is no direct buyer, they utilize their logistical units and store the goods until they identify a buyer to the specific good. The logistical units are located in Sweden, Finland and the United States and are presented in order of size in terms of tons turnover in figure 8 (KorCo AB Internal Excel Sheet, 2020). Most of the large and important suppliers are located in Sweden and figure 9 shows an overview of the locations of the interviewed suppliers along with the customer market locations and logistical locations (ibid). In figure 10 an overview of their main markets is provided, and it clearly shows the focus toward emerging markets (ibid).

Warehouse Percentage of Turnover

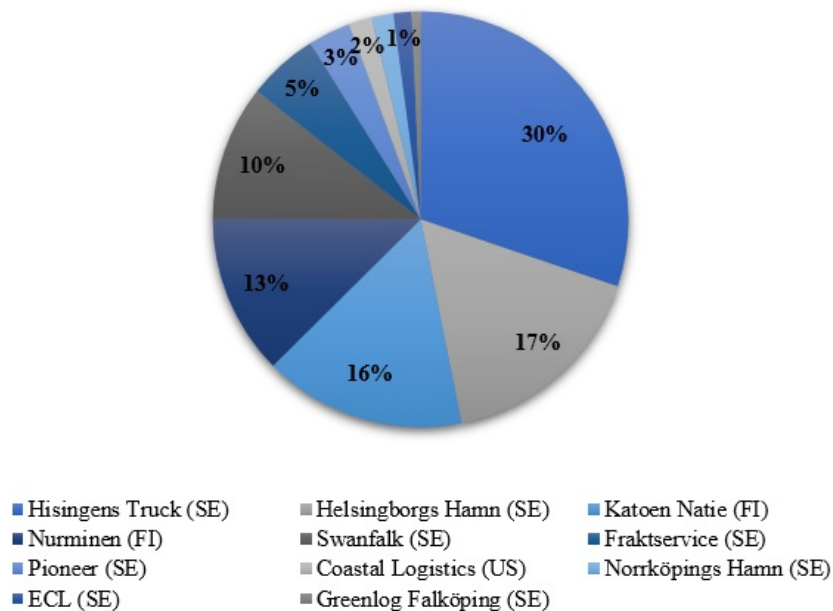


Figure 8. Warehouse Percentage of Turnover - compiled by authors based on KorCo AB's data

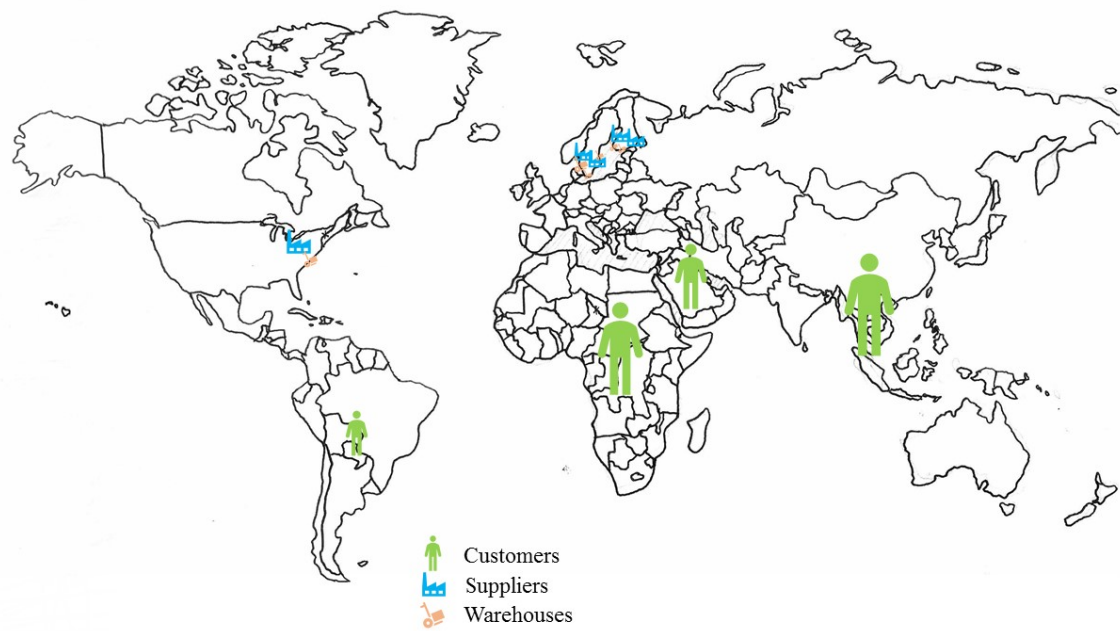


Figure 9. KorCo AB's Global Presence - compiled by authors based on KorCo AB's data

Customer Markets

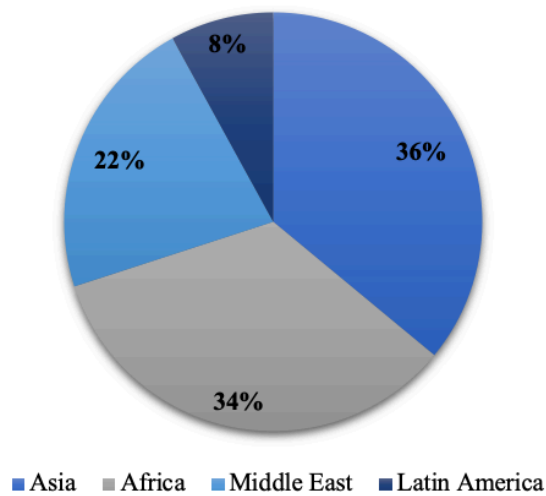


Figure 10. KorCo AB's Customer Markets - compiled by authors based on KorCo AB's data

Additionally, apart from being a traditional trading house KorCo AB are diversifying their portfolio offering as they are developing a new pulp and paper product to sell on their own. They use the discounted paper from BillerudKorsnäs and then utilize idle machinery at the facility of Fiskeby, in order to produce a new packaging product called Northstar. The package is made of discounted paper and aluminum combined and aims to be used in production

facilities. There are some specific aspects of KorCo AB as an organization that diversify them from their competitors which are their unique network and their knowledge. With their experience and specific insight on emerging markets and in the business, they have created a large network in areas which are quite hard to get an overview of. With their knowledge and experience they are able to determine whether or not potential customers are viable, which means that they sometimes turn down customer offers.

4.1.2 KorCo AB and Sustainability

Regarding sustainability, KorCo AB does not have any specified agendas or policies on how to relate to the subject, but within their value chain, sustainability in terms of economic factors is taken into consideration as they look for long-term reliable partners in emerging markets. Yet, environmental and social sustainability is not explicitly considered to the same extent. The management team is, however, interested in what ways they could increase their work with sustainability in order to raise their competitive advantages towards their suppliers. The management team acknowledges that the subject of sustainability is a growing topic within all industries and businesses and contemplates on how to relate to the subject and incorporate sustainability in their service offering. The management team is aware of the fact that the products that they trade might be more sustainable than their competitors that do not handle discounted papers. This as KorCo AB's business model is based on trading discounted paper, which in itself is a sustainable solution to the issue of excess paper in the pulp and paper industry. Based on the fact that the excess paper (discounted paper) would, if not sold, otherwise be re-used in the production which results in increased energy costs and emissions. KorCo AB do not have an explicit sustainability plan nor internal practices or policies regarding the subject but are open to it as they see that the subject increases in importance. Yet, they are not sure about the expectations or demands that their suppliers might have toward them when it comes to sustainability. Therefore, KorCo AB are interested in acquiring a greater knowledge of sustainability as well as the suppliers' perspectives and expectations. This thesis is a part of KorCo AB's attempt to obtain this knowledge.

Conclusively, KorCo AB believe that the importance of sustainability will possibly increase in their industry in the future which is why they want greater insight into the subject, especially from the suppliers' perspective as they are in a supplier-driven industry. Deeper insight into KorCo AB's suppliers is presented in the following chapter.

4.2 KorCo AB's Suppliers

This subchapter presents the five chosen suppliers to KorCo AB with short company presentations and the collected data from the interviews.

4.2.1 BillerudKorsnäs

BillerudKorsnäs is a Swedish forest industry company that focus on creating sustainable packaging products. The company was established in 2012 through the merger between the companies Billerud and Korsnäs (BillerudKorsnäs, 2020a). They have customers all over the world and 17 subsidiaries spread globally but mainly located in Europe and Asia. In 2018 the net sales were € 2 250 million, and the paper segment amounted to 36% of their total sales (BillerudKorsnäs Annual Report, 2018). Their core business and strategy is to change the way in which packages are produced for a more sustainable future using paper materials instead of less eco-friendly alternatives (BillerudKorsnäs, 2020b). BillerudKorsnäs work actively with sustainability in order to take responsibility throughout the entire value chain. This work is done in combination with the goal of increasing customer value as well as contributing to a more sustainable society. To concretize BillerudKorsnäs' path towards reaching these goals and making the sustainability processes as effective as possible, the company has divided their commitment into more tangible and feasible sub-targets (Billerud Korsnäs, Sustainability Report, 2018). In relation to the agenda 2030 sustainable development goals, BillerudKorsnäs are primarily focusing on goals number 8 (Decent work and economic growth), 12 (Responsible Consumption and Production), 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Land). BillerudKorsnäs believe that these are the goals they are most favorably positioned to have a positive impact on.

To work toward these goals efficiently, BillerudKorsnäs have established three main directives: Responsible value chain, Increased customer value and Sustainable and bio-based society. The directives are divided into subcategories which are measured between targets and outcomes using the key performance indicator method (ibid). The responsible value chain commitment includes claiming responsibility over the raw material process by supplying, producing and recycling at the same time as providing a safe work environment with a focus on human rights. Moreover, Increased customer value focuses on utilizing BillerudKorsnäs' specific knowledge in the industry to provide customers with products that improve their business. The Increased

customer value directive also encourages expansion into new markets through innovative solutions with renewable materials. Lastly, the sustainable and bio-based society directive involves taking responsibility for their energy consumption and actively working to decrease emissions in order to create shared value for the public both domestically and internationally.

4.2.1.1 BillerudKorsnäs Sales/ Market Perspective on Trading Houses and Sustainability

The BillerudKorsnäs interview was conducted with Key Account Manager Peter Schotte. Schotte has a degree in forest industrial economy from SLU. He began his career as a trainee at Nordic Paper in 2013 and advanced into the role of being responsible for sales in the Scandinavian market. In 2018, he started working for BillerudKorsnäs and is since then responsible for the sales of cupstock.

Schotte explains that BillerudKorsnäs have many sales offices around the world that they trade through but that they utilize trading houses in different cases. The volumes that go through trading houses vary and the level of utilization of the trading houses differs between BillerudKorsnäs product segments. Schotte further explains that the main reason behind using trading houses is the trading houses' unique insights into local markets which they themselves do not possess. Schotte states:

“One of the reasons as to why we utilize trading houses is the fact that trading houses hold very good knowledge in certain markets”

“Trading houses open up new market channels and create new business opportunities for us.”

Schotte also explains that BillerudKorsnäs value the flexibility that trading houses offer and states that it is easy to do business with trading houses. Regarding more detailed sustainability questions Schotte holds a restrictive role as it is not his area of expertise and refers those questions to their sustainability representative Jessica Bissmark. However, Schotte states that overall, BillerudKorsnäs work with sustainability questions in order to achieve competitive advantages and to ensure a long-term survivability.

When it comes to trading houses sustainability implementation, Schotte has a positive mindset toward increased sustainability implementation. He acknowledges that he is unsure whether it is a formal criteria today but he considers it favorable to collaborate with companies that actively work with sustainability. Regarding sustainability implementation and the trading house's price, Schotte states:

“I would probably say that sustainability implementation and that part does not exceed the price but it is absolutely an aspect that we consider.”

Further, Schotte looks positively at increased sustainability implementations in trading houses but mentions that it might be more relevant for the trading houses' customers and that the expectations might come from that direction. In the future, Schotte believes that sustainability will remain an aspect to consider and that another important factor to consider is the trading houses' ability to connect them to new markets and customers.

4.2.1.2 BillerudKorsnäs Sustainability Perspective on Trading Houses and Sustainability

The following interview was conducted with BillerudKorsnäs' Sustainability and Communications Manager Jessica Bissmark. Bissmark has a professional background in communication with years as a communication consultant within brand communication, PR and sustainability communication. Bissmark's current position at BillerudKorsnäs entails handling internal and external communication including meetings with customers (B2B) to share information about BillerudKorsnäs' sustainability work.

Regarding the questions about BillerudKorsnäs collaborations with trading houses, Bissmark refers to her colleagues in sales as it is not her area of expertise. Regarding sustainability, however, Bissmark explains that their whole business idea is based on sustainability, their business and sustainability are inseparable even. BillerudKorsnäs' production is, according to Bissmark, very sustainable using a good mix of different energy sources and also using very little fossil energy. The water that they use in the production is purified afterwards and released back into the streams. Moreover, Bissmark explains that the materials used are sustainable. They have high demands on their suppliers while simultaneously trying to push the sustainability concept onto their customers as well. Bissmark explains that they have always worked with sustainability but as their customers have started to demand more sustainable

solutions, the sustainability focus of BillerudKorsnäs has become more aligned with the contemporary demand from the customer industries. Regarding the reasons behind BillerudKorsnäs focus on sustainability Bissmark says:

“We have worked a lot with sustainability regarding our products and we have tried to push our customers into the concept of sustainability and now that we are experiencing a large demand for sustainable products we definitely feel that it is something positive. It is a mix of both.” [sic]

Further, Bissmark explains that their biggest rivals are plastic companies. All their innovations include sustainability focus, striving to produce products that are fully made of paper which means that their customers do not need to add plastic parts to create their finalized products. Regarding the future, Bissmark believes that sustainability will increase in importance as politics and regulations will increase sustainability requirements as well as the customers increasing their demands for sustainability. However, Bissmark believes that in the near future with a potential recession at hand for companies in general, the sustainability focus might decrease as capital and companies’ survival becomes a bigger priority.

4.2.2 Stora Enso

Stora Enso is a Finnish company in the forest industry that specializes in creating renewable materials. The company was established in 1998 and they are a global provider of renewable solutions with subsidiaries in 30 countries around the world (Stora Enso, 2020a; Stora Enso, 2020b). Stora Enso’s sales were € 10 486 million in 2018 and they are the second largest producer of paper products in Europe; the paper segment constituted 29% of their total group sales (Stora Enso Annual Report, 2020). Their core business is to provide products with a low carbon footprint as an alternative to fossil made products. With these facts in mind, Stora Enso believes that their products are of key importance in the global sustainability shift (Stora Enso Sustainability Report, 2019). The goal of Stora Enso is to provide an increasing range of products made by renewable materials in order to contribute to a more sustainable world. By utilizing forests as a renewable material, they create products that are used in industries such as retail, building, food and beverages, hygiene, pharmaceutical and manufacturing among others (Stora Enso, 2020c).

Regarding sustainability, Stora Enso are working actively with a vast range of activities in order to reach their social, environmental and economic responsibilities. Based on the sustainable development goals in the Agenda 2030, Stora Enso mainly work with goals number 12 (Responsible Consumption and Production), 13 (Climate Action) and 15 (Life on Land) (Stora Enso Sustainability Report, 2019). Stora Enso have chosen to prioritize these three goals since the forest industry is considered to have the greatest key opportunities and potential positive impacts on these specific aspects. Stora Enso took this standpoint after participating in the SDG Sector Roadmap together with the Forest Solutions Group at the World Business Council for Sustainable Development. In order to successfully strive toward these goals and be in the forefront of sustainable forestry, Stora Enso have established a sustainability key performance indicator (KPI) framework. This KPI framework covers the specific goals of 12, 13 and 15 but also includes KPI targets on economical, societal and environmental aspects (ibid).

4.2.2.1 Stora Enso's Sales/ Market Perspective on Trading Houses and Sustainability

The following interview was conducted with Stora Enso's Sales Manager within clearance sales, Staffan Edlund. Edlund has worked with Stora Enso for about 20 years starting his career in the production segment but soon moving to more sales-oriented tasks. Today, Edlund manages the sales of discounted papers to brokers and trading houses.

Edlund explains that trading houses handle around 60% of the sales that Edlund manages from discounted papers and that KorCo AB has a minority of that share. Edlund explains that the main reason behind collaborating with KorCo AB was based on personal connections and a feeling of trust being built over the years. Edlund mentions that in terms of evaluating any trading house, trust is the most important factor for him followed by the trading house's ability to handle large volumes quickly. Thirdly, Edlund mentions the trading house's financial capabilities (possibilities to handle credit risk) and fourthly, the price. As Edlund summarizes:

“It is trust, volume management and the financial strength and then the price a bit further down.”

According to Edlund, sustainability is a central part of their business strategy as Stora Enso's trademark is to produce products that are sustainable in contrast to the competing plastic

industry. Edlund explains that sustainability is part of their profile and strategy to achieve competitive advantages by having a good reputation as a long-term, innovative company that only uses renewable materials. Edlund further explains that it is a necessity to work with sustainability in their industry, in order to be trustworthy as a company. Further, Edlund explains that sustainability is incorporated in many parts of the organization such as the environment and emissions regarding production, using renewable materials, product safety and sustainable forestry. Edlund explains that Stora Enso have a deep focus on sustainability but that the outspoken focus differs between their primary products and the discounted products that Edlund handles. Edlund explains that Stora Enso's primary products have higher requirements from the end customers in terms of sustainability certifications. However, regarding discounted paper there are no official requirements today, but, as the culture is sustainability-focused, the processes are performed with a goal to reduce CO₂ emissions. As Edlund states regarding the value chain of their products:

“Actually, it is something that we have not looked at but maybe should do more. More on this side of discounted papers. On the primary side it is done in a different way. On our side it is not the same.”

When it comes to sustainability and trading houses, Edlund states that he would rather cooperate with a trading house that works actively with sustainability measures. He also says that they have not thought about it to a greater extent as for now, but he welcomes more sustainability work from trading houses mentioning for example a report that states their goals, progression etc. Edlund explains that promotion of sustainability aligns with their strategy and therefore they view sustainability stewardships positively. Further, Edlund also emphasizes the importance of the end customers and end products when evaluating a future partner. Edlund stresses that the sustainability views need to be aligned but also that there is transparency to make sure that Stora Enso's products are not used for something negative in the end of the value chain.

Lastly, when it comes to the future of the industry, Edlund talks about the increased importance and transparency of sustainability throughout the entire value chain. He also thinks that the trust and relationships with partners, such as the trading houses, will continue to be of significant value. Edlund states:

“I believe that it is a part of the whole thing. To be trustworthy, we cannot focus on sustainability without looking at the whole picture.” [sic]

4.2.2.2 Stora Enso’s Sustainability Perspective on Trading Houses and Sustainability

The following interview was conducted with Stora Enso’s Sustainability Director Jesse Rep. Rep’s professional background is in the pulp and paper industry and he has a degree in business and environmental economic science. At the time of the interview, Rep has worked for Stora Enso for about eight months and his position is Director of Sustainability.

Rep believes that the underlying reasons as to why suppliers utilize trading houses in general are because trading houses have a greater market insight into specific areas and favorable networks. Rep further believes that collaborating with trading houses can be a good way of exploring new markets as it is also a way of measuring the potential of a new specific market. Further, he believes the financial services that trading houses offer are factors that can make them attractive.

Rep explains that Stora Enso focus and work with sustainability a great deal throughout their whole organization and that it would be favorable if the trading houses that they collaborate with also shared their beliefs. Rep explains that the reasons behind their sustainability focus are both from a competitive advantage point of view and from the view of the institutional environment and demands from regulations and society. Further, Rep explains that today, most actors are sustainable in their industry and that it is close to a necessity to be a legitimate actor. In order to achieve competitive advantage in this area Rep explains that you need to be the best out there and it has a lot to do with how you communicate this, as he states:

“So, the competitive factor is more about “being the best out there” and having the right message and being seen as a leader in that area. And communication is one important relating aspect because our competitors are doing pretty much the same.” [sic]

Further, Rep means that if a company does these things right, there is a potential market to be had and that the company can thereafter take market shares from companies that are less sustainable, for example companies within the plastic industry.

Regarding trading houses and their sustainability approach, Rep believes that it would be preferable to collaborate with trading houses that work actively with these issues since trading houses are part of the value chain. Having collaborations with sustainability focused trading houses could benefit Stora Enso, since their customers are demanding more sustainable solutions. Rep says that a sustainability report from the trading houses could be a great addition in terms of transparency and reliability and if it is in line with Stora Enso's views it would enhance the value chain. At the same time Rep also means that a sustainability report could be favorable for the trading houses in relation to their own customers. Regarding the future, Rep believes that sustainability will increase in importance and states:

“So, I would say yes, sustainability needs to be considered by the trading houses as they are also taking our products and thereby our message to the market.”

Moreover, Rep believes that other important aspects when evaluating trading houses in the future could be the reach of the trading house, in what markets are they active, what type of relationships they have, networks and whether it is a win-win from a cultural, scientific and customer point of view.

4.2.3 Metsä Board

Metsä Group is a global organization that was established in 1934 with its base in Finland (Metsä Group, 2020). The company is a global player in the pulp and paper industry and offers a wide range of products and services. The company is divided into the two main parts Metsä Forest and Metsä Wood, together with the subsidiaries Metsä Board, Metsä Tissue and Metsä Fiber (ibid). Metsä Board are a supplier to KorCo AB and are therefore our focus. As an international actor, Metsä Board have access to the Group's operations active in 30 countries and have customers all over the globe. The total sales for the Metsä Board amounted to € 1.9 billion in 2019 (Metsä Group, 2020; Metsä Board, 2020a). The overall core business strategy of Metsä Board is to internationally provide sustainable products using their renewable raw material, wood (Metsä Board, 2020b). Their products originate from the renewable raw material of northern wood and the organization are in control of the entire value chain of the material (Metsä Group, 2020). Today, Metsä Board have eight production units, seven located in Finland and one in Sweden (Metsä Board, 2020b).

Metsä Board strive to be a forerunner in terms of sustainability. They include environmental, economic and social perspectives in their sustainability approach. They have full control over and are transparent about their raw materials i.e. renewable fibers. They manage the forests as the source of their raw materials in a sustainable manner which assures a long-term horizon for both Metsä Board and the environment (Metsä Board, 2020c). Metsä Board continuously evaluate their processes and attempt to identify new technologies in order to minimize the negative effects on the forest and wildlife. They also strive to increase the amount of energy that is renewable in their total consumption of energy. Further, their emission goal is to have all of their production sites and mills be completely fossil free before 2030 (ibid). Metsä Board's policies align with the UN Global Compact Initiative, meaning that they follow the principles of human rights, the environment and anti-corruption. Metsä Board state that both themselves and their key stakeholders value sustainability and that it is also important with transparency throughout the whole supply chain. Metsä Board have an important position in the CDP's engagement assessments which is a positive acknowledgement of the work that Metsä Board have done regarding their handling of water and forestry across throughout their supply chain (ibid).

4.2.3.1 Metsä Board's Sales/ Market Perspective on Trading Houses and Sustainability

The following interview was conducted with Metsä Board's Account Director in Marketing and Sales, Juha Lounasvaara. Lounasvaara has a degree in business and has worked internationally, in the United States and the United Kingdom during large parts of his career and is based in Finland since 1999. He currently manages customer segments, traders, trading houses and a Europe production account.

Lounasvaara explains that around 5% of their goods go through trading houses and that they utilize their services to reach markets where they are not represented, as well as to sell off redundant products. Further, he states that the main factors that he considers when evaluating trading houses are trust, professionalism and the price. Lounasvaara explains that they have a big amount of focus on sustainability and that this focus is continuously increasing. It is a distinct trend and a rising amount of people in the company work a 100% with sustainability. Lounasvaara states on the topic of sustainability within their company the following:

“It’s covering personal issues, people who work for us, it’s covering forestry, energy, transportation, production, you name it: it’s everywhere.”

He further explains that Metsä Board have an internal goal to achieve being fossil free within the next ten years. This covers their production and mills but excludes the transportation since they do not have full control in that area. Lounasvaara states that the reasons behind their engagement in sustainability challenges are both based on their company policy and their wish to have a reputation from an industry perspective. He further explains that they work with sustainability in order to maintain a good reputation, to make sure that customers see them as a good business partner, and to continuously realize that they are ready for changes. Lounasvaara also states that they are pushing to stay ahead of regulations:

“We are not just meeting the regulatory we are trying to be ahead of it.”

Lounasvaara explains that they increasingly care more about the global value chain and that they also demand full transparency since they need to be able to trace the raw materials and have good insight into the routines of their suppliers. Regarding their choice of trading houses, Lounasvaara states that they prefer collaborating with sustainable companies and that the choice depends on how you view sustainability. Lounasvaara says:

“It depends a bit on how you define sustainability. If you take the wide approach then it’s not only about transportation, it’s actually about where in the world the trading house is operating, for what kind of business, for what kind of company it is. Is it sustainable from a political and social point of view.”

Lounasvaara says that they only negotiate with partners that are on their approved list, but that they do not demand a sustainability report, although he appreciates if the partners have a viewable compliance plan. This potential compliance plan would immediately increase the level of transparency and would contribute to a sustainable collaboration. Lounasvaara states that in the choice between two trading houses that both are on their approved list, they would choose the one with the favorable price.

Regarding the future, Lounasvaara believes that sustainability is a factor that will increase in importance, even if he is not sure how exactly it will develop. In addition, he states that sustainability will most likely affect all of their business, including trading houses.

4.2.3.2 Metsä Board's Sustainability Perspective on Trading Houses and Sustainability

The following interview was conducted with Metsä Board's Director of Product, Safety and Sustainability, Anne Uusitalo. Uusitalo has had a vast variety of positions within the forest industry and Metsä Board. She has worked in the business for over 30 years and has had positions within marketing and sales, the supply chain and - since 5 years back - being responsible for sustainability and safety matters. Regarding the trade with trading houses, Uusitalo is cautious about making statements as it is not her area of expertise and refers to her colleague Lounasvaara at the market and sales department. She was therefore unable to answer any questions on trading houses with any sort of detailed information such as volumes or prices.

On the topic of sustainability, Uusitalo explains that it is included in everything that they do at Metsä Board. It is in their backbone and it is included in the mills operations, their sales and marketing operations and in their supply chain. It is everywhere, because Metsä Board is a listed company and have large customers as stakeholders who care about their reputation; they therefore face quite high requirements and expectations when it comes to sustainability. Uusitalo further explains that they have quite ambitious targets for 2030, for example being 100% fossil free in their production. Another target is to reduce their purchasing of fossil-based energy to zero by 2030. They demand 100% traceability of their suppliers of raw materials. She further explains that they are committed to the Science Based Targets Initiative and in extension this encourages their suppliers and partners to commit to the initiative as well to ensure a sustainable supply chain. Uusitalo explains that a large reason for their focus on sustainability stems from being owned by the Metsäliitto Cooperative which consists of 103 000 Finnish private forest owners. It is therefore natural for the company to have a long-term perspective and work sustainably with the forestry operations as they want to be able to continue to produce and sell their products in the future. At the same time, Uusitalo states that regulations continuously push the industry to become increasingly sustainable and she once again emphasizes the importance for their large customers to have a supplier with good reputation. All these aspects combined are factors that influence and increase their focus on

sustainability implementation throughout their organization. She explains the benefits of being transparent and market how you work with sustainability:

“All these things, I think influence and have had an impact on our way of looking at sustainability, and we definitely have noticed in the past 2-3 years that the better you can show and prove your sustainability actions and performance, the bigger competitive advantage it is for us.” [sic]

When it comes to sustainability implementation and trading houses, Uusitalo states that they would rather work a sustainable partner if the prices are similar. As she has stated, sustainability and responsibility are a main pillar in their organization. They therefore require it from all their suppliers and deem it favorable if their customers also support the sustainability perspective. Uusitalo states the following:

“I already mentioned the fact that sustainability and responsibility is inside our backbone and of course we require it from all our suppliers so we set requirements related to sustainability and responsibility toward our suppliers so of course it would be nice if all our customers that we deal with would be interested in supporting these type of actions in their own operations.” [sic]

Uusitalo does not state any specific operations or factors that they evaluate regarding trading houses, she however believes that it is important for their own sake to remain an actor able to operate long-term. She further explains that she believes that sustainability and a good reputation will matter even more in the future and that they will prefer to collaborate with partners who considers sustainability to a great extent. Uusitalo concludes with the following statements:

“Yes, we want to have a good reputation and we want to supply customers who consider sustainability topics also high on their agenda.”

“If there is an option I think definitely the choice would be for the more sustainable option.”

4.2.4 Fiskeby

Fiskeby is a Swedish paper packaging company that was founded in 1637 and is one of the first producers in Europe. The total sales were € 75,4 million in 2018 and the company have all their production in Norrköping, Sweden and a couple sales subsidiaries in countries in Europe (Fiskeby, 2020a). Their mission is to produce high quality packages only using recycled fibers and renewable materials. Part of their strategy is to contribute to a more sustainable society by strictly using these recycled fibers and renewable materials. Their sustainability strategy is with a long-term mindset and they acknowledge their responsibilities both as an actor in the local society as well as a supplier of packages of renewable materials (Fiskeby hållbarhetsrapport, 2018). Fiskeby's sustainability work is furthermore highly focused on the environmental perspectives, since they have been working for a long time on actively decreasing their carbon footprint and contributing to a better society and environment (Fiskeby, 2020b). With this engagement in mind, Fiskeby have adopted the Environmental Management System called ISO 140001 as one of the main pillars behind their sustainability strategy (ibid). Together with the Swedish Standards Institute (SIS), Fiskeby continuously try to improve their systems to decrease their negative emissions (ibid). Fiskeby endeavor to be in the forefront of changes in sustainable solutions and therefore work proactively to reduce emissions in recycling and production processes, as well as act in accordance to the changing external demands (Fiskeby hållbarhetsrapport, 2018). Furthermore, Fiskeby focuses on sustainable solutions through a sustainable global value chain and have therefore established three internal functioning production cycles. These cycles consist of the energy cycle, fiber cycle and water cycle. The energy cycle produces its energy from the residuals that are created by the cardboard production. The fiber cycle is based on produced cardboards that are made from 100% renewable fibers. Finally, the water cycle creates climate neutral biogas from the processed wastewater (Fiskeby, 2020c).

4.2.4.1 Fiskeby's Sales/ Market Perspective on Trading Houses and Sustainability

The following interview was held with Fiskeby's Market and Sales Director Anders Nyren. He has spent most of his professional background in the pulp and paper industry. He was active in different roles within sales and worked with larger market dominating groups before becoming Market and Sales Director at Fiskeby.

Nylén explains that they utilize the services of trading houses to be able to sell secondary products and excess inventory that the regular customers do not need. 5-7% of their total sales go through trading houses and KorCo AB is the only trading house that they trade with today. This means that KorCo AB handle 100% of the sales through trading houses for Fiskeby. Nyrén states that they especially consider three measures when selecting a trading house partner and these measures are: Flexibility, Volume adjustments and Price. He refers to this by saying:

“It is important that the trading house should be able to handle large orders in short periods of time. The three main factors we consider when looking at trading houses are flexibility, volume adjustments and the price.”

Nyrén highlights the importance of flexibility and that the trading house’s ability to handle large orders in short periods of time is paramount as they want to keep production up at all times. As the demand from their regular customers can fluctuate quite drastically, the trading house can play an important role in ensuring a stable demand for Fiskeby’s products. With these aspects in mind, Fiskeby conducted a reversed auction and invited five trading houses. The trading houses offered bids and the most suitable organizational match with Fiskeby was KorCo AB. Since the beginning of the collaboration, Fiskeby have not wanted to re-evaluate their choice of trading house as they are satisfied with the collaboration.

Regarding sustainability within the Fiskeby company, Nyrén explains that it is an old company, established in 1637, that started by producing paper from textile fibers. Ever since 1953 they have used exclusively 100% recycled fibers which means that the whole business model is a sustainable and circular process. This process has always been deeply incorporated in the company and the fact that sustainability is a hot topic in today's business climate is fortunate for Fiskeby, albeit not the reason behind their business model. Nyrén further explains that they are currently working with three loops inside their business. The first loop is energy, which means that they themselves produce most of the energy that they need. The second loop is water where they release cleaner water than what they take in. The third loop is the handle of their recycled fibers. According to Nyrén, Fiskeby do not have any sustainability demands on their customers, however their suppliers have certain expectations to fulfill. He explains that they continuously collaborate with their customers by offering sustainable products to help them shift from fossil-based products.

In Fiskeby's choice of trading house, Nyrén explains that they enjoy working with KorCo AB as they share the same business idea of trading with fiber-based products. However, they do not have any specific demands (such as a written sustainability plan) on KorCo AB's sustainability implementation as of now. Nyrén stresses that they will always prefer working with a trading house that deals with fiber-based products rather than mixed with plastics. Nyrén further concludes that in their choice of working or not working with a sustainable trading house, they still majorly base their decision on the price.

Even if Fiskeby, do not have any requirements on sustainability implementation from their trading houses today, Nyrén says that:

“It we were to have a reversed auction again today, we would surely include sustainability as a part of the evaluation. I do not believe it would be a crucial factor in the decision, but it would most likely be included. “

As stated above, he believes that in a new reversed auction situation, sustainability would be a factor to consider. It would not be a crucial factor, but it would be included in the decision making.

4.2.4.2 Fiskeby's Sustainability Perspective on Trading Houses and Sustainability

The following interview was conducted with Fiskeby's Environment and Quality Responsible Cecilia Halling Linder. Halling Linder has a Doctor's degree in experimental medicine within chemistry. She has spent most of her professional background working with medicine research, but after 15 years she wanted to change career paths and work with sustainability. Since 2018, Halling Linder is responsible for environment and quality matters at Fiskeby.

Halling Linder refers to Nyrén regarding all questions about their current trade and sales with trading houses. Regarding sustainability questions, however, she has a more active role and explains that they have been working with sustainability-since the beginning, since 1953, 100% of their products are from recycled fibers. Halling Linder states that working with recycled fibers, which itself is sustainable, is a central part of the business as well as ensuring high quality products.

“As we have been working with recycling since 1953, our whole business model has been sustainable even before the concept of sustainability was invented. We have merely marketed it more nowadays but we have worked sustainably for many years”

Apart from having a sustainability focus ourselves, there are expectations, requirements and regulations from society, and we want to have a sustainable profile in order to attract the right employees. Further, Halling Linder explains that the pressures of being sustainable derives from several perspectives: to maintain their legacy, the way of marketing and regulatory requirements. Halling Linder argues that being sustainable is such a central role in their core business, that they prefer it if the complete value chain is sustainable as well. They do not however have any official requirements when it comes to sustainability, but it is a wish from their side of any business deal, according to Halling Linder.

Halling Linder further mentions that she believes that sustainability will have a larger importance in the future in terms of choosing business partners. As she states:

“I believe that in the future, companies will have a much larger tendency to pay for sustainability. Sustainability sells.”

Additionally, she believes that if a company is choosing between two partners in similar price classes, they will choose the more sustainable one and that this is an aspect that trading houses can work with in order to gain competitive advantage.

4.2.5 Graphic Packaging International

Graphic Packaging International is an American pulp and paper company established through the joined forces of several companies; the company has roots extending back to the year 1898 (GPI, 2020a). Graphic Packaging International produce food product packaging, paper cups and folding cartons in more than 70 factories around the world and their facilities and offices are spread across 15 countries (GPI, 2020b; GPI, 2020c). Their core business is to provide designed paper products that contribute to the marketing and performances of their customers (Graphic Packaging Holding Company Annual Report, 2019). Regarding sustainability, Graphic Packaging International focus on producing products made out of renewable materials

and aim to use all of the wood from the production either for paper or to create energy as biomass (GPI, 2020d). In 2016 they established a 2025 sustainability vision scorecard that includes reducing greenhouse gas emissions by 15%, reducing the use of non-renewable energy by 15%, reducing water effluent by 15%, having 100% recyclable products and reducing plastics by 40% (GPI Sustainability report, 2018). Furthermore, another goal within the 2025 vision includes having 100% of their facilities being certified with a forest / fiber certification standard. In 2018, the progress had led to 89% of their facilities being approved by forest / fiber certifications. Regarding social responsibility, the vision 2025 goal is to have all their global manufacturing facilities approved with the Social Compliance Sedex Member Ethical Trade Audit and the progress is at 91% as of 2018. In relation to these goals, Graphic Packaging International are continuously assessing their operations to improve efficiency and to reduce energy usage. Their long-term strategic decisions are based on increasing productivity while at the same time having high quality, low costs and a low environmental impact (ibid).

4.2.5.1 Graphic Packaging's Sustainability Perspective on Trading Houses and Sustainability

The following interview was conducted with Graphic Packaging's Director of Innovation and Sustainability, Michael Heldman. Heldman is a chemical engineer who at an early stage in his career came into the pulp and paper industry through a scholarship. He worked on several mills in the United States and learned about the industry's impact on the environment and how to produce in a more sustainable way. Heldman has worked in the industry and at the company International Paper for more than 20 years and the last two years with Graphic Packaging. Heldman explains that his role is to understand what the brands that they are selling to want and what Graphic Packing actually can produce to them. This includes sustainability, third party certification and printability. He says that he basically works with identifying the different needs of customers and then looking at what we can actually produce. On the topic of trading houses, Heldman says:

“We use them in Latin America because of credit. We do not want to spend our time making sure that these Latin American actors have credit” [Sic].

Heldman explains that they mainly sell their products directly to customers in large quantities and that around 10% of their products are being sold to trading houses. He further says that

they utilize trading houses in order get rid of smaller quantities and to reach markets where they do not want to extend credit themselves. Heldman states that they do not sell much to KorCo AB but that KorCo AB fill an important role being in a position where they can take over the credit risk on the Latin American Market. Additionally, Heldman states that Credit and Diversification are the main reasons behind why they utilize trading houses.

Regarding sustainability within the company's business model, Heldman explains that it is well established. According to Heldman, replanting and keeping the forest healthy are key components to ensure a long-term perspective within the business. The environment is so important that third parties have come up with several certifications such as FSC, PEFC and SFI which many buyers of Graphic Packaging's products demand. Heldman states that as they care a lot about sustainability, it is equally important for them that their partners and customers also share these beliefs. Heldman further explains that even if there are regulations on sustainability, they want to be ahead of the curve in order to achieve competitive advantages. They therefore listen and comply to a great degree to academics and scientists. He says:

"I would say it is competitive advantage, academics and understanding that legislations are coming. We want to get out ahead of it. I am not sure that I want the politicians to tell me what a sustainable solution is, but I rather listen to the academics, the engineers and the scientists that are looking into the science, and maybe not any political or public relation's twist to it."

Heldman states that they would rather do business with trading houses that actively work with sustainability, but it has to be economically viable as well, which he explains:

"Sustainability is not just environmental, it is also economics. If something costs ten times more than the current solution, that is not sustainable. No one is going to pay for that. Sustainability has to be economically viable, environmentally viable and socially acceptable." [Sic]

Heldman states that regarding their partners and trading houses, a sustainability report that explains how and why they work with sustainability is favorable. Further, he explains that it is beneficial for them to be able to read and understand what their partners actually do and to

make sure that their core values align. Heldman furthermore declares that in the end, sustainability is not as important as the price since price changes the narrative. He however states that if the partner has very different values, they will not cooperate with them and when choosing between two similar partners within the same price class they will choose the most sustainable partner.

Regarding the future, Heldman believes that they are going to strive for working with partners that have the same sustainability goals as themselves and prioritize partners with great sustainability implementation and high informative transparency. Heldman argues that information sharing from their partners about their future goals and expansion strategies are favorable factors for them to take into consideration in the choice of future partners.

4.2.5.2 Graphic Packaging's Sales/ Market Perspective on Trading Houses and Sustainability

The following interview was conducted with Brett Wade, the Global Segment Manager at Graphic Packaging. His professional background is in the American pulp and paper company International Paper. Wade spent about 20 years at International Paper, and then the last two years at Graphic Packaging after a reorganization between the organizations. He spent most of his time being responsible for what they sell to the international arena. Today he is responsible for both national and international accounts including the Pacific, Middle East and Europe.

Wade explains that they mainly sell to domestic partners including their own facilities that produce the finished beverage packages, but that they utilize trading houses in order to sell smaller amounts to the open market. He states that the greatest services that trading houses and KorCo AB deliver are the credit risk they handle to external customers and the geographical reach that they have. Graphic Packaging does not have a lot of manpower around the globe and therefore it suits them well to partner up with KorCo AB as they have unique knowledge in certain distant markets. Wade gives an example:

“The model we have today, we do not deploy expats in those areas. So, sales becomes the Brokers. That is how we reach out to the local market. That is one thing. The second key thing is that we are not necessarily configured to handle all the credit risk or to really handle

literally credits and things of that nature. So the credit risk for the local company is handled through the trading house.”

Regarding sustainability Wade explains that they work a lot with sustainability and that it is a necessity when being a global player. He does not necessarily think that it leads to competitive advantages as he explains that all serious actors in the market are already working with it. Wade discusses the fact that if a company is not working with sustainability it becomes a competitive disadvantage. Wade states the following:

“I am not sure that it drives business, but sustainability is a necessity you need to have in order to be a global player. I also think it is the right thing to do from an environmental platform frame business.”

Wade states that the reasons for their sustainability engagement are many. Regulations, environment and staying competitive are all factors united in driving their strategy of being a sustainable company forward. Wade further explains that as a reputational company they also make sure that their suppliers practice sustainability and are accredited with SFI, PEFC or FSC.

Wade moreover states that they do not have any formal requirements on trading houses today, but to be able to work with them any partners need to share Graphic Packaging’s values regarding sustainability. As Graphic Packaging is in a reputable business, the reputation of the trading house is of great importance according to Wade. He explains that trading houses are not required to show a sustainability report to him, but it might be favorable to show the trading houses clients. Wade believes that sustainability is an important factor today and going forward, and that it will be important in the choice of their future partners as explained by his quote:

“I also think it will be paramount that companies that we do business with have to be like-minded in how they view the environment. We have a choice who to line up with, who to represent our business. If we have choices, which we have today, we want to line up with those that care for the environment in the manner that we think is appropriate.” [sic]

On the topic of future factors to consider in their evaluation of trading houses, Wade states that the geographical reach of the trading house and their understanding in certain areas will be a key factor to consider.

4.3 Summary of Empirical Findings

This empirical chapter has selected and presented the most relevant thoughts and perspectives from the transcribed data from the interviews and meetings with the suppliers and KorCo AB. A summary of the most relevant results is presented below in table 3. Further, the empirical chapter constitutes the foundation and the basis for the upcoming 5. Analysis chapter.

KorCo AB
Operates in a supplier-driven industry.
Does not work with sustainability to a great extent today.
Has a desire to work more with sustainability.
Believes that sustainability will increase in importance in their industry.
Suppliers
Trading house services they value: flexibility, handling secondary stocklots, reaching new markets and financial services.
Attach value to value alignment regarding sustainability to its partners i.e trading houses.
Believe that the subject of sustainability will increase in importance when choosing future partners i.e trading houses.
Do not have high requirements towards trading houses regarding sustainability but to their own suppliers.
Engage in sustainability work based on several reasons, including: tradition, achieving competitive advantages, external pressures such as regulations and customers.

Table 3. Summary of the Most Relevant Results - compiled by authors

5. Analysis

This chapter comprises and analyses the findings of the empirical chapter together with the theoretical framework provided in the theory chapter. The chapter is structured and presented in five different subchapters that cover the main outline of the empirical findings. The five parts are: KorCo AB as a Trading House, The Trading House-Suppliers Relationship, The Suppliers Sustainability Views, Suppliers Views on Trading Houses Sustainability and, Suppliers Future Views on Trading Houses and Sustainability. Lastly, the chapter provides a potential strategic model for trading houses on how to work with sustainability.

5.1 KorCo AB as a Trading House

Based on the empirics KorCo AB is a trading house as defined by Welch et al. (2007) since they as a company deal with the trade of goods and acts as a middleman between manufacturers and customers. KorCo AB facilitate the trade between international borders and are involved in both domestic indirect export and direct export as presented in Welch et al. (2007) modes of operation. Moreover, KorCo AB are a small Swedish trading house with a more specific and specialized offering as they have focused especially on emerging markets. KorCo AB's business strategy is based on specializing in discounted papers only and almost entirely trading with customers in emerging markets which is in line with the theories of Balabanis and Baker (1993a) who suggest that contemporary trading houses are increasingly specializing in specific products or areas. In contradiction to this, Welch et al. (2007) mentions that trading houses may generally have extensive knowledge and large networks but lacking specialized knowledge in specific products or markets. KorCo AB is therefore a divergent trading house compared to the general trading house defined by Welch et al. (2007). By specializing in the trading of certain products (discounted papers) and emerging markets KorCo AB have limited their scope and can thus utilize their resources and knowledge to create the best opportunities to achieve competitive advantages, which is in line with Barney's resource-based view (1991).

Furthermore, Balabanis and Baker (1993a) argue that the modern trading houses have continuously increased their service offerings which is strengthened by the service-dominant logic theory by Vargo and Lusch (2004). When comparing KorCo AB to the traditional definition of trading houses the arguments by Balabanis and Baker (1993b) and Vargo and Lusch (2004) seem to be correct as KorCo AB offer several additional services apart from

simply trading the goods from one country to another. Today, KorCo AB offer unique international market insights in emerging markets along with extensive and reliable partners in those markets which is hard to obtain by the suppliers themselves. Further KorCo AB offer favorable financial flexibility as well as great flexibility regarding the handle of large orders in short notice. Based on the framework of the three stages of trading houses by Kim (1986) it is possible to determine that KorCo AB is at the second stage of the framework. This as KorCo AB offer financial services but have not invested abroad to secure their market position. KorCo AB therefore do not follow the framework of Kim, (1986) since they - instead of investing abroad - have specialized in unique market knowledge and networks (especially in emerging markets) to secure their position and relevance. This approach is eminently in line with the perspectives of Balabanis and Baker (1993a) who argue that trading houses have evolved into being more service oriented with specialized knowledge in certain areas. Further, KorCo AB were established as a response to an identified gap in the current market which was the trade of discounted papers. This creation of the company is a proof of the ever-changing nature of trading houses mentioned by Balabanis and Baker (1993a), Ellis (2001), Jones (1998) and Perry (1990). Moreover, KorCo AB are in collaboration with two of their suppliers in an attempt to create a new product on their own which is further proof of the changing nature of modern trading houses (Balabanis and Baker 1993a; Ellis, 2001; Jones, 1998; Perry, 1990).

5.1.1 KorCo AB and Sustainability

KorCo AB do not explicitly incorporate sustainability measures in their business process. From an institutional isomorphism perspective this is not a surprise as the overall external pressures regarding sustainability are low towards and among trading houses. According to KorCo AB there is no general standard in how to handle sustainability in their industry, however KorCo AB acknowledge the fact that their suppliers, that they are dependent on, have extensive sustainability inclusion in place. This can possibly be an important factor for KorCo AB to consider since they are operating in a supplier-driven industry. Further, KorCo AB have a positive attitude toward sustainability and acknowledge its increased importance in both society and in the pulp and paper industry. Moreover, it seems as the nature of KorCo AB's product offering is quite sustainable in their industry as they trade discounted papers even though they do not market it from a sustainability perspective. The inclusion of sustainability in KorCo AB's service offering could increase the uniqueness of their offering and have a positive impact on the VRIS-criteria mentioned by Barney (1991). Further, an explicit

sustainability strategy in line with KorCo ABs suppliers could diversify them from their rivals which according to Deephouse (1999) can increase their competitive advantages. In addition, according to Deephouse (1999), being too different from their rivals can potentially instead reduce the legitimacy of the firm but in the case of KorCo AB this seems unlikely since their suppliers are so involved in sustainability themselves. The theories of Hart (1995) further strengthens the argument that KorCo AB could increase their competitive advantages by being adaptive and proactive when integrating sustainability into their processes. Therefore, by incorporating and enlightening sustainability in their business and their product offering KorCo AB can increase the possibility of achieving competitive advantages. With this understanding of KorCo AB as a trading house it is natural to continue with an analysis of their relationship with their suppliers.

5.2 The Trading House-Suppliers relationship

Regarding the trading house-suppliers relationship, the empirical findings make evident the fact that the suppliers' representatives' general reasons as to why one should utilize a certain trading house is based on several reasons. The majority of the suppliers recognize that collaborating with trading houses is a suitable solution to get rid of secondary stocklots, reach new markets, increase their flexibility and to utilize the provided financial services. These views on the offerings that trading houses provide are in line with the articles of Balabanis and Baker (1993a), De Geer (1988), Kjellin and Lawrence (2014), Vargo and Lusch (2004) and Welch et al. (2007). Therefore it is evident that KorCo AB is a contemporary, modern, flexible and adaptable trading house that offers more services than the simple traditional service of transporting a good in line with the contemporary ideas of trading houses by Balabanis and Baker (1993a), Kjellin and Lawrence (2014) and Vargo and Lusch (2004). Further, in line with the views of De Geer (1988) and Welch et al. (2007) the representatives mention the ability to reach new markets through the trading house which is a way of further internationalizing their products. These four underlying factors of handling secondary stocklots, reaching new markets, flexibility and financial services are services that KorCo AB provide today and acknowledge as their business strategy.

Since KorCo AB and the interviewed suppliers are collaborating since around the establishment of KorCo AB in 2009, KorCo AB and the suppliers show a long-term and reliant history. This indicates that the trades are not short-term but with a long-term perspective with

growth for both the trading house and the suppliers. Further, many of the suppliers acknowledge the trading houses as part of their value chain and value these actors as important partners. Additionally, the fact that KorCo AB work with open orders indicates a high level of trust between the actors. Furthermore, Sender (1996) discusses the potential negative effects from being too reliant on trading houses which he means could decrease the company's internationalization process and distance the producer from their customer. Along with this view, Durham and Lyon (1997) and Vantreese (1992) agree and argue that production companies should prefer to have close relationships with their customers in order to be able to react quickly and correctly to changes in the market demand. The empirical findings thus suggest that the producing suppliers should sell their main volumes to their customers and only a minor share through trading houses in order to not become too reliant. However, the sentiment from the representatives appears to be that trading houses fill a significant role and facilitate their business and production output.

5.2.1 Trading House-Suppliers Relationship from a Resource-Based Perspective

Based on the empirics it is evident that an underlying reason for suppliers to utilize the trading house's services is to reach otherwise difficult international markets to enter. The internationalization process of entering a new market with domestic products can be a resource demanding and risky process for companies that have no reliable knowledge in the area. This can for example be seen in emerging markets that are continuously changing. Therefore, it is less of a risk if the supplier uses the trading house's unique market knowledge and already existing network. Barney's resource-based view (1991) is thus a suitable theory that explains the phenomenon of why suppliers use trading houses, such as KorCo AB, that are specialized in emerging markets. The fact that suppliers utilize trading houses seems logical from a resource-based view perspective since suppliers and trading houses focus their resources at what they are specialized in. The collaboration between suppliers and trading houses appears natural since the suppliers are specialized in producing products and the trading houses such as KorCo AB are specialized in trading products from one country to another in emerging markets. As it is a supplier-driven industry and the fact that this thesis investigates the subject of sustainability in the relationship between KorCo AB and its suppliers, it is necessary to identify and clarify the suppliers' views and perspectives on sustainability.

5.3 The Suppliers Sustainability Views

The empirical findings imply that all of the representatives from each supplier acknowledge sustainability as an important factor in their business model and as a way to achieve long-term growth. A majority of the representatives also stated that sustainability is something that they continuously work with and develop across their organizations and especially in the production processes and the output. Further, regarding their value chain, the majority of the actors have high requirements on their own suppliers but not as developed or as high requirements on their customers or trading houses. It is possible to conclude that these actors are sustainable using the presented definition in the theory chapter as Brundtland (1987) stated, that a company is sustainable when producing and growing without compromising the quality of future generations. Further, through the empirical findings, the majority of the actors concur that sustainability is a necessity to consider to even exist in the pulp and paper industry. Further, many of the representatives acknowledge the fact that sustainability is a contemporary topic in terms of the environmental challenges, societal pressure for more sustainable products and the raised awareness that could increase the competitive advantage to less sustainable competing industries such as plastics.

5.3.1 Institutional Isomorphism

According to DiMaggio and Powell (1983) institutional isomorphism explains why companies tend to become similar when facing the same external pressures, especially stakeholder pressures. In contrast, Kitzmueller and Shimshak (2012) argue that some companies develop a sustainability strategy without any regard to the market demand or the institutional pressures from regulations but strictly as a business strategy. Based on the empirical findings this might be true in the past as the actors have been in an industry which is quite sustainable in itself using renewable resources. However, in regard to the empirical findings it seems like the actors in the pulp and paper industry in more recent years have acted to some extent in line with the three dimensions stated by DiMaggio and Powell (1983): coercive, normative and mimetic. Since the actors have worked with sustainability for a long time it is in a way a tradition, but the customer and market demands have also increased for sustainable products as well as the governmental regulations. Therefore, it is a combination of these three elements that continuously push the actors in this industry toward increasing their sustainability; this is in line with the coercive nature that DiMaggio and Powell (1983) describe. Further, as the actors have been in the industry and worked with sustainability for a long time it seems to have

become a normative tradition in the industry which indicates some normative effects. Finally, the entire industry is moving toward a more developed sustainability integration, where the bigger actors seem to be in the frontline, which indicates that the mimetic dimension is active as well. However, Oliver (1991) questions the institutional isomorphism perspective and argues that actors choose different sustainability strategies even when facing the same external pressures. Based on the empirical findings, the actors have similar sustainability approaches that could be linked to the Acquiesce strategy defined by Oliver (1991) as accepting norms and obeying rules. However, the actors have some differences in their sustainability strategies since some focus more on technology improvements to reduce the use of CO₂, some have an increased focus on marketing of their sustainability solutions and some have higher requirements on their suppliers in terms of strengthening and aligning their value chain. Further, based on the empirics the representatives express that it is hard to acquire competitive advantages based on their sustainability strategy. However, there is a belief that value alignment regarding sustainability between the suppliers and their partners i.e. trading houses could strengthen the value chain. This alignment of values between the suppliers and the trading house could therefore increase the competitive advantages for both actors. With this in mind, it is further interesting to evaluate the suppliers' views on trading houses' sustainability efforts which is investigated in the following chapter.

5.4 Suppliers Views on Trading Houses Sustainability

Based on the gathered data in the empirics, it is evident that the majority of the interviewed representatives' value when their partners consider and work with sustainability and would prefer to collaborate with trading houses that share their views on the subject. Yet, many of the representatives were not aware of to which degree sustainability actually is a factor that matters in the choice of trading houses. Many of the representatives expressed the belief that sustainability is something that will continue to increase in importance and that it might be a factor to consider more in their choice of trading houses in the future. These responses in the empirics were quite expected as sustainability is a subject of increased importance and something that permeates all parts of companies and value chains today. However, the extent to which sustainability is considered in comparison to other factors such as price, flexibility, market access and financial services is not as clear. The empirics from the representatives were quite divided regarding the importance of trading houses and their sustainability approach.

Some argued that view alignment regarding sustainability was very important while others deemed it less important.

Using DiMaggio and Powells (1983) theory about institutional isomorphisms, trading houses experience the same external pressures and thus grow to become more similar. At the moment, trading houses do not seem to receive a lot of these pressures concerning sustainability. According to Deephouse (1995), Hart (1995) and Porter and van der Linde (1995), being proactive in sustainability implementation can yield competitive advantages for the specific firm, in this case KorCo AB. It might therefore be a profitable strategy to follow Hart's theory and listen to the sentiment in the empirics which expresses the belief that sustainability will increase as a factor to consider in the future choices of partners. Further, the adoption of sustainability inclusion for trading houses seems to be a likely scenario since the trading houses are highly dependent on their suppliers who already have these institutional pressures today. Based on the institutional isomorphism perspective the trading houses should become more similar when exposed to the same external pressures and since the empirics suggest that sustainability is a growing interest from the suppliers it would be favorable to be the first trading house that actively works with sustainability before it becomes a requirement. Further, Balabanis and Baker (1993a) and Ellis (2001) argue that trading houses change and evolve because of market demands rather than governmental pressures which further strengthens the argument that KorCo AB should consider these findings as the suppliers are the market. In addition, Perry (1990) argues that the trading houses' ability to adapt and adjust processes and structures to the changing external pressures is the main determinant to ensure their survival and future prosperity. From the empirics it is evident that there is a possibility that one of the next external pressures that trading houses might face could be sustainability requirements from their suppliers and governments. Therefore, in accordance with Perry (1990) the survivability and prosperity of the trading houses will be determined by their ability to adapt. This is why a proactive and prepared approach towards the subject is favorable for trading houses such as KorCo AB.

5.4.1 Trading Houses and Sustainability and the VRIS-criteria

Further, as Barney (1991) suggests in his resource-based view theory, firms gain competitive advantages or sustainable competitive advantages by achieving the VRIS-criteria. From a trading house perspective, being proactive and in the forefront of sustainability implementation

could increase the criteria of V and R, value and rare. Establishing a developed sustainability strategy would increase the service offering and make it more valuable. The rarity of the offering would then increase since the competitors do not have equally elaborated sustainability strategies. The competitive advantages achieved however might only be short-term and in order to achieve long-term advantages the trading house would have to remain in the forefront and tie strong relationships with its suppliers. From the empirics it is evident that a sustainability report made by the trading house that covers goals, processes and their progress would be of value and highly appreciated by the suppliers and could furthermore facilitate the decision-making process regarding future partners.

As discussed in these subchapters 5.4 and 5.4.1 there are many authors including Balabanis and Baker (1993a), Ellis (2001) and Perry (1990) that elaborate on the changing nature of trading houses when faced with new external pressures in order to stay relevant. Authors such as Hart (1995), propose that having a proactive approach to sustainability strategies can yield competitive advantages. The empirics show an uncertainty when it comes to the importance of sustainability in relation to trading houses, however most representatives would appreciate greater insight and transparency, this as many representatives mention that trading houses are part of their value chain and most of them prefer an alignment through it. As the empirics show, many of the representatives mention quite high requirements on sustainability toward their suppliers and lower requirements toward the trading houses or customers yet. The potential sustainability report created by the trading house is one example of sustainability implementation that the majority of representatives would find favorable as it would increase transparency and could align the views on sustainability throughout the value chain. An additional argument for sustainability alignment between the trading house and its suppliers is the argument of Post et al. (2002) who stresses the importance for firms to know their stakeholders' views to prosper in a sustainable way. With this in mind, a sustainability report might not be crucial today, but since both theories and empirics indicate a need for a greater focus on the subject, the report could be favorable in the near future. By being proactive and providing a sustainability report today, could potentially strengthen KorCo ABs position in the market and in the future when a report might be a necessity.

5.5 Suppliers Future Views on Trading Houses and Sustainability

Based on the empirics the general opinion, on the importance of sustainability in relation to trading houses, is positive as it could further strengthen the value chain. Many of the representatives also mention that a sustainability focus could be favorable not only for their own sake but more importantly for the trading house itself. The trading house could market the sustainability focus toward not only their suppliers but also to their customers. Further, the general opinion from the representatives is that, in order to survive in the future, for all companies - no matter which industry the company is in - a sustainability focus will be of importance. In terms of the suppliers' future choice of trading houses, the empirics show that sustainability might not be a crucial factor, but it will most certainly be considered. The suppliers' future expectations on the trading houses regarding sustainability includes considerations such as:

- *If their values align.*
- *If the product that is traded is handled in a sustainable way throughout the value chain. For example, that the end-customer does not use the product to create an end-product that creates negative effects on sustainability.*
- *How the trading houses work with reducing emissions regarding transportation.*
- *If the presence of the trading house in emerging markets has a positive impact on the social, economic and environmental welfare.*

Regarding trading houses and their sustainability approach, based on the perspectives of Barney (1991), Hart (1995) and Porter and van der Linde (1995) the trading houses could achieve competitive advantages. The efficient utilization of their specific internal resources in combination with their sustainability strategy could improve their service offering and make it more favorable compared to competitors. Porter and van der Linde (1995) explicitly state that it is a question of how the company utilizes its resources not specifically what the resources are. With this in mind, trading houses can create a successful sustainability strategy when having great knowledge of their strengths and weaknesses and thus they can find a way to create the most sustainable and attractive offering as possible. Based on the empirics and

thoughts from the representatives, a contemporary trading house could make sure that their values and views regarding sustainability align with their suppliers. In addition to this, the trading house could make sure that the products are not being used in the production of new final products that have negative effects. The trading house can also work with transportation questions to reduce emissions, as this is a part of the value chain that the trading houses control. Further, the trading house could attempt to ensure that their customers in emerging markets create positive effects both socially, economically and environmentally. Thereafter, all these efforts, goals and progresses can be presented in a sustainability report to increase transparency and market the company as a sustainable partner in potential value chains. In the specific case of KorCo AB they could also focus on marketing themselves as sustainable since their business model is built on trading secondary products which in itself is sustainable since the secondary products would otherwise be reused in production. Therefore, this could be an attractive opportunity for KorCo AB.

Conclusively, Balabanis and Baker (1993a) and Ellis (2001) state that trading houses change and evolve primarily due to market demands. Based on the empirics where the representatives are part of the market, the market demand indicate a growing interest for sustainability. Therefore, it is possible to conclude that it could be favorable for contemporary trading houses to prepare and adjust in relation to sustainability, this in combination with Perrys (1990) arguments that the key for trading houses' survival is how well they adapt to external pressures. Moreover, the representatives mentioned other factors that might increase in importance in the future as they consider trading houses; the factors are location (what markets do they reach), channels, and the functionality of their organization. All these factors seem relevant and could be incorporated into the trading houses' sustainability strategies.

5.6 Strategic Sustainability Model

Based on the empirics and analysis, a strategic sustainability model for trading houses was created which is presented in figure 11 below. The model consists of four basic factors for the contemporary trading house to consider when developing their individual sustainability strategy. The first and most important factor is value alignment, which means that the trading house should preferably have similar or the same views on the subject as its suppliers. The second factor is sustainability product management where the trading house can attempt to ensure that the traded product is used sustainably by any end customer using the traded product

in the production of a new product. In other words, the trading house should not trade the product to customers that use it to produce a new product that has negative impacts on sustainability. The third factor is the reduction of emissions in transportation as this is a central part of the value chain that trading houses control. The fourth and last factor attempts to provide a positive sustainability impact on emerging markets which includes social, economic and environmental aspects as the trading house could positively contribute to the local development. If these factors are incorporated in the business, they could be enlightened in a sustainability report.

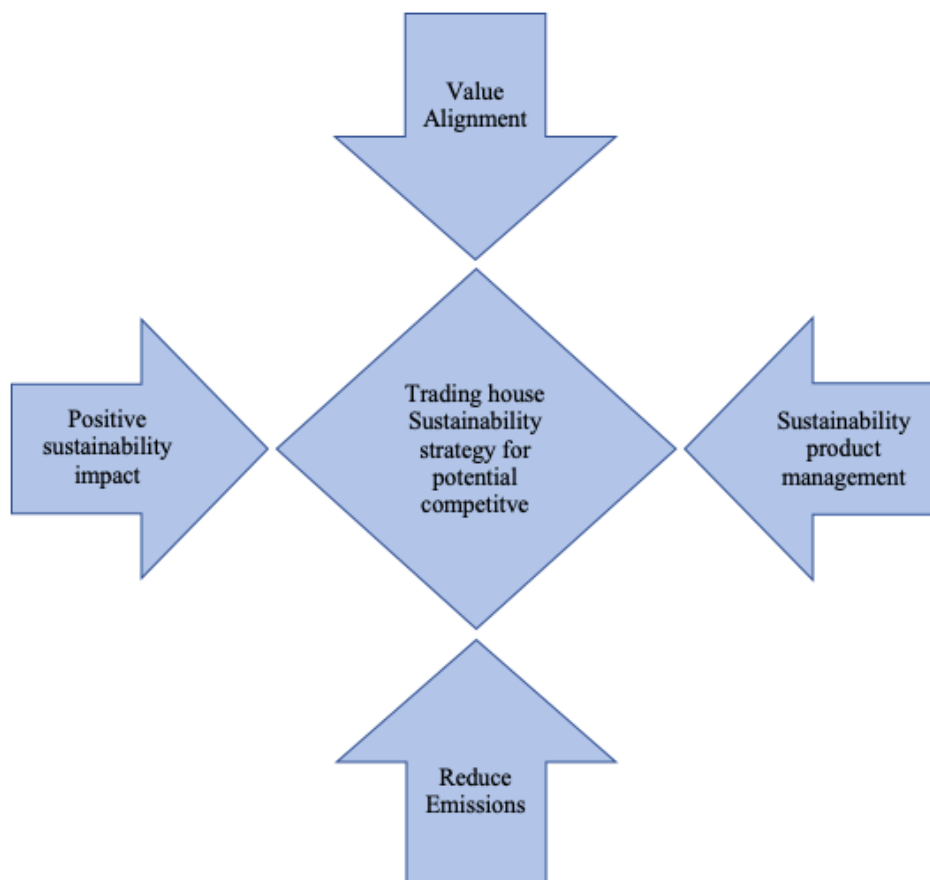


Figure 11. Trading House Strategic Sustainability Model - compiled by authors

In summary, the analysis chapter discusses how KorCo AB and its suppliers work with sustainability within their relationship and how the trading house can achieve competitive advantages. This analysis of the five subchapters lay ground to the Trading House Strategic Sustainability Model. The chapter provides the necessary discussions needed in order to draw the conclusions presented in the following chapter.

6. Conclusion

This chapter concludes the main takeaways from the analysis of the empirical findings combined with the relevant theories and also answers the thesis' research questions: "From a sustainability perspective, how does a Swedish trading house and its supplier's relationship manifest? and, - What is the role of competitive advantage for a Swedish trading house within this relationship?". After the conclusions, management recommendations are presented and finally presented is a proposal for future research.

This case study has focused on KorCo AB and its suppliers and has provided great insight into the relationship between KorCo AB and its suppliers as well as their views on sustainability. As discussed in chapter 1.2 problem discussion there is limited knowledge on the subject and this thesis attempts to provide deeper understanding of the relationship between a Swedish trading house and their suppliers from a sustainability perspective. In order to understand and draw conclusions from the empirics, a theoretical background on trading houses, sustainability and strategic management theories was established and used as the theoretical framework for the analysis.

The answer to the first part of the research question; *"From a sustainability perspective, how does a Swedish trading house and its supplier's relationship manifest?"*, the results from the case study showed that a Swedish trading house does not work extensively with sustainability questions today. In addition, the suppliers do not have high requirements toward trading houses regarding sustainability but, they do have high requirements toward their own suppliers. Further, this case study can conclude that there is a growing interest in sustainable solutions and collaborations from the supplier's perspective, which indicates that it might become an important factor to consider in the relationship between a Swedish trading house and its suppliers in the future. It is difficult to conclude to what extent sustainability will be considered when suppliers choose trading houses as partners in the future. However, it is evident that it will be a factor to acknowledge when considering the sentiments of the suppliers, the growing attention from the public and governmental regulations. It is also interesting to consider the fact that based on the case study, the trading house does not only have a desire to work more with sustainability, it also seems as though Swedish trading houses might already have elements that are sustainable without them specifically focusing or developing or marketing it.

This further indicates that both trading houses and suppliers can benefit positively from including sustainability in their relationship.

Regarding the second part of the research question; “*What is the role of competitive advantage for a Swedish trading house within this relationship?*” the answer is that sustainability will most likely increase the competitive advantage for the trading house when incorporated in the relationships. For the trading house, an explicit sustainability strategy or report that is aligned with their supplier’s views will increasingly integrate them and strengthen their position in the market as a relevant intermediary actor. This is because suppliers can trust that their products are handled by a company with the same values and this strengthens their value chain. Moreover, a strengthened value chain through value alignment regarding sustainability is positive from a supplier perspective as well, as they can offer greater value to their customers which could create a win-win situation for both the trading house and its suppliers.

The theoretical contributions from this case study is greater insights into a Swedish trading house’s operations as the current research within the subject is limited. Trading houses is a well-established concept, but they operate in an ever-changing business climate and this thesis provides a more nuanced picture of their potential evolution. Since the theories used and presented suggests that trading houses change and evolve due to external pressures (mainly market demands) there is a possibility that sustainability is part of the new evolution of contemporary trading houses. The management recommendations below are developed with this in mind.

6.1 Management Recommendations

The case study has highlighted many aspects of how sustainability can matter to a Swedish Trading house in their relationships with their suppliers. This case study aimed to investigate and produce greater knowledge on the relationship between a Swedish trading house and its suppliers from a sustainability perspective. From an academic perspective these questions are answered and from an industry perspective, strategic recommendations regarding trading houses and sustainability can be of value as well. Therefore, this study - based on the theoretical framework and views from the suppliers - suggests that trading houses can position themselves favorably for the future by developing a transparent sustainability strategy. Based on the model *Trading House Strategic Sustainability Model* in chapter 5.6 the trading house can develop a

sustainability report that includes the four basic factors (derived from the suppliers' views) connected to their specific organization along with the global standards of general sustainability reporting. In order to establish a successful sustainability strategy, the trading house need to recognize and understand their resources and how to utilize them in the best way. Depending on the nature of the trading house and their different resources, the strategies might differ, however value alignment throughout the value chain and transparent sustainability reporting is deemed most important for the suppliers.

6.2 Limitations and Future research

This case study has increased the understanding of how the relationship between trading houses and its suppliers' manifests. This was important to study as trading houses operate in a supplier-driven industry. Even though this research has increased the general knowledge on the subject, it comes with several limitations which in turn make way for future research. Firstly, the study is limited to a small actor in the Swedish trading house industry; the interviewed actors that generated the empirics also constitute a small part of all suppliers using trading houses. These limitations were partly due to the time frame limitation and accessibility to actors. Therefore, additional studies with similar aim could be conducted in order to make the conclusions of this study more valid and transferable. To increase the value of the study internationally, the future research would need to be conducted abroad in different cultural contexts as well since the nature of trading houses in Sweden seem to be different from trading houses in other countries and regions. The future research could therefore include additional trading houses, additional suppliers and this in different countries and regions. Since the industry in Sweden is supplier-driven, according to KorCo AB, the study was conducted in this manner, however future research could include the customer perspective to broaden the understanding and increase the validity. Further, even if the industry is supplier-driven it would be interesting to have future research investigate the other external pressures that could influence the trading houses' evolution regarding sustainability such as governmental pressures, customers, competitors and other stakeholders.

During the course of this case study, other interesting questions regarding trading houses have appeared. It would be of value if more research regarding more detailed processes that trading houses conduct in emerging markets was conducted. The present literature seems to focus on the general internationalization process of trading houses which is a quite covered research

subject. However, it seems like a new important factor of trading houses is the relation building processes they conduct in emerging markets that are different from the established international trade. As the contemporary literature seems to be limited when it comes to trading houses' operations and presence in emerging markets and how they impact those local markets, this too is something that would be of interest to further study.

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Appendix

Appendix 1. Interview guide

1. Can you tell us a bit about your professional background?
2. Describe your current role in the organization.
3. How much of your goods go via Trading houses?
 - a. What are the underlying reasons for you to work with Trading houses in general?
 - b. How much of your goods go via KorCo AB?
 - c. Why have you chosen to work with KorCo AB?
4. What are the three main factors you consider/value from a trading house?
5. Can you describe your work with sustainability and how it is connected to your business model? Exemplify:
6. To what degree do you require sustainability implementation throughout your Global Value Chain?
7. Would you prefer to do business with a trading house that actively works towards sustainable solutions rather than one that does not?
 - a. If so, which parts or processes involving sustainability do you value? Are there any specific parts or examples that you evaluate in your choice of trading houses?
 - b. When choosing trading houses, do you prefer a viewable sustainability plan or is it enough if they only work actively with for example logistics, travel and transportations?
8. According to you, are the trading houses' implementation of sustainability as important as price?

9. Would you rather choose a more sustainable trading house even if the price might be higher than for a trading house that do not consider sustainability?
10. What are the reasons for you to consider sustainability?
 - a. Are the reasons related to the institutional environment (such as regulatory environment, culture or mimicking?) or is it related to the belief of competitive advantage?
11. Do you think that sustainability is something that will matter more in your choice of trading houses in the future?
 - a. If so, based on what reasons?
12. Do you believe that there is some other major aspect/factor that you will consider important to evaluate in your choice of trading houses in the future?