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**RESPONSIBLE PROCUREMENT IN A  
FINNISH FOOD COMPANY**

International Business

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## TIIVISTELMÄ

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|--------------------|--|
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Tutkimuksen tavoitteena on selvittää, miten suomalainen yritys tekee kansainvälisiä hankintoja, hallinnoi vastuullisia hankintoja, mitä riskejä yritys kohtaa hankintojen aikana ja miten se toteuttaa riskienhallintastrategioita. Tutkimuksessa käytettiin sähköpostipohjaisten haastattelujen ensisijaisia tietoja sekä yrityksen toissijaisia tietolähteitä, kuten verkkosivuston sisältöä ja vuosiraportteja. Näiden lisäksi hyödynnettiin tieteellisiä artikkeleita täyttämään ensisijaisen aineiston aukkoja.

Hankintamenettelyjen analyysi paljasti, että Fazer noudattaa kansainvälisissä hankinnoissaan standardihankintaprosessia. Yritys keskittyy pitkäaikaiseen toimittajahallintaan ja vastuullisiin hankintoihin, erityisesti pitkäaikaisissa liikesuhteissa. Yrityksen päätökseen omaksua sosiaalisesti ja ympäristöllisesti vastuullinen hankinta vaikuttavat sekä sisäiset että ulkoiset tekijät. Vastuullinen hankinta voi lisätä yrityksen kannattavuutta ja tuottavuutta, sillä kuluttajat suosivat yhä enemmän kestävästi hankittuja raaka-aineita. On kuitenkin syytä huomioida, että näiden hyvien käytäntöjen ylläpitäminen operatiivisesti on haastavaa. Fazer globaali hankinta altistuu myös erilaisille riskitekijöille. Näiden riskien lieventämiseksi yritys voisi hyödyntää toimittajien monipuolistamista, varahankintoja sekä joustavia yhteistyömekanismeja ostajan ja toimittajan välillä.

Kaiken kaikkiaan tämä tutkimus on merkittävästi lisännyt kirjoittajan ymmärrystä suomalaisyritysten toiminnasta Suomen ja Euroopan komission liiketoimintaekosysteemissä. Tutkimuksen rajoitukset, erityisesti ensisijaisten tietojen puutteet, korostavat kuitenkin lisätutkimuksen tarvetta. Kattavampi tutkimus voisi keskittyä primääritietojen keräämiseen koko hankintasyklin ajalta, jotta voidaan seurata yrityksen kestävä hankinta- ja riskienhallinnan strategioita toiminnassa ja arvioida niiden tehokkuutta kustannus-hyötyanalyysin kannalta.

## ABSTRACT

|                    |   |
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The research aims to investigate how a Finnish company does international procurement, how they manage responsible procurement, what risks the company faces during procurement, and how they conduct risk management strategies. The study consisted of primary data from an email-based interview and data from a review of secondary literature (website contents, annual reports) of the company and scientific articles to fill gaps in the primary data.

The analysis of its procurement procedures reveals that Fazer followed the standard procurement process for its international procurement. It focused on long-term supplier management and responsible procurement for long-term business relationships. Both internal and external drivers may influence the decision for a company to adopt socially and environmentally responsible procurement. Responsible procurement can increase the profitability and productivity of the company as consumers increasingly favour sustainably sourced material. However, it can be safely assumed that maintaining all these good practices functionally is challenging. Fazer's global sourcing is also exposed various risk factors.

For risk mitigation, the company could employ supplier diversification, backup sourcing, and adaptive partnership between buyer and supplier. Overall, this research has significantly enriched the author's understanding of Finnish company operations within the Finnish and European Commission business ecosystem. However, the study's limitations, primarily due to a shortage of primary data, underscore the need for further research. A more comprehensive study could focus on collecting primary data throughout the entire procurement cycle to observe the company's strategies for sustainable procurement and risk management in action and evaluate their effectiveness in terms of cost-benefit analysis.

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Keywords Procurement, responsible procurement, risk management

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## **ABBREVIATIONS**

|      |   |
|------|---|
| CSR  | Corporate Social Responsibility                               |
| EC   | The European Commission                                       |
| EU   | The European Union  |
| IUCN | The International Union for Conservation of Nature            |
| NGO  | Non-government Organization                                   |
| OECD | The Organization for Economic Co-operation and<br>Development |
| OHS  | Occupational Health and Safety                                |
| RFA  | Rainforest Alliance   |
| RFP  | Request for Proposal  |
| RFQ  | Request for Quotes  |
| SDG  | Sustainable Development Goal                                  |
| SMEs | Small and Medium Enterprises                                  |
| WWF  | World Wildlife Fund   |

# **1 INTRODUCTION**

## **1.1 Background**

Every business enterprise needs to buy something in one form or another. It is a part of any business model as no public sector organization or company is an island. Since resources are needed at one end of the company and customers at the other, procurement is at the core of any business (Russill, 2012). As a proactive and strategic business practice, procurement guarantees a continuous supply of products (Lysons & Farrington, 2020). van Weele defined procurement as “the management of the company’s external resources in such a way that the supply of all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company’s primary and support activities is secured at the most favourable conditions covering the materials, information and money flows up to the point of consumption” (van Weele, 2018, p. 7).

Procurement activity has roots to ancient times. For example, an approximately 2800 BC dated cuneiform clay tablet was found during an excavation in Ras Shamra, northern Syria. The inscription on the tablet explains the procurement process. The inscription describes a transaction process where 50 jars of fragrant oil sent to buyer in fifteen days interval. The buyer paid 600 sacs of grains as price. This business will continue until the buyer withdraw from the agreement (Lysons & Farrington, 2020).

There is a variety of terms that are used in procurement today, common terms are for example sourcing, procurement, purchasing, and supply management. These appear to be used synonymously despite their dissimilarities (van Weele, 2018). Some people employ them loosely or interchangeably, while for others, they hold specific meaning. A good example is the word ‘purchasing’, which may be broadly used to mean

"supply management" or "procurement," though it can also refer to just one phase in a much larger process (Khan & Yu, 2019; Lysons & Farrington, 2020). Variation like this can be problematic, as it may cause to misapprehension of our understanding and communication.

## **1.2 Description of the company**

Fazer, a Food Experience Company, operates in the bakery sector through its three divisions: Fazer Bakery Finland, Fazer Bakery Baltics, and Fazer Bakery Sweden; leading in all three markets. Its primary markets include Finland, Norway, Denmark, Lithuania, Sweden, Estonia, and Latvia. Overall, its products are exported to over 40 countries. They are also remarkable in the Nordic grain milling industry, providing value-added solutions and high-quality grain products to industrial clients (Fazer Annual Review, 2023).

By the end of December 2023, Fazer employed 4,875 staff members. Among the Group's workforce, 69% were located in Finland, 19% in Sweden, and 11% in the Baltics, which are its 3 largest markets. The company's mission, "Food with a Purpose," builds on its rich heritage of over 130 years, a consumer-first strategy and innovations to develop sustainable food solutions for the upcoming days. With a team of around 5,000 professionals, the company concentrates on fast-moving consumer goods and its direct-to-consumer operations in Northern Europe, as well as exports to over 40 countries. Fazer's activities comply with its Code of Conduct, which reflects the Group's values and aligns with the UN Global Compact. In 2023, Fazer Group reported net sales of €1.200 billion (Fazer Annual Review, 2023).

### **1.3 Research Objectives and Questions**

The key objectives of this research are to identify the procurement process of a Finnish company that does global sourcing, how it maintains responsible practices throughout the procurement process, the major risk factors, and its management strategies. The main questions to be explored are as follows:

- How does a company do responsible procurement from international markets?
- What are the major risks and challenges the company faces during procurement and its responses?

This is relevant for all types of enterprises (large, small and medium) as care for the environment becomes a requisite, risks and challenges in global business become rampant, and increased profit remains a target.

## **2. PROCUREMENT PROCESS, RISKS AND SUSTAINABILITY**

Procurement has gained more recognition in recent years as a crucial function occupying a business's most expenditures. This shift has brought more focus to the role and function of procurement. It was previously seen as merely a clerical task focused on purchasing components and materials upon request, but procurement is now viewed as a vital management function.

### **2.1 Procurement and supply chain**

The supply chain concept has a profound influence on traditional procurement philosophies, practices and procedures. Thus, a supply chain consists of network of business enterprises that participate in various activities yielding value in the form of goods and services that are delivered to customers or consumers through backward and forward linkage (Lysons & Farrington, 2020).

The significance of procurement in the supply chain is evident in the substantial share of costs it represents for various industries (Russill, 2012). For example, in the German automobile industry, the material cost is at 45 percent, while in manufacturing, the ratio of purchases to sales averages around 55 percent (Hong et al., 2018). This means that over half of the revenue from goods and services sales is returned to suppliers, underscoring procurement as a key area for cost-saving opportunities (Monczka et al., 2021).

## **2.2 Steps in the procurement cycle**

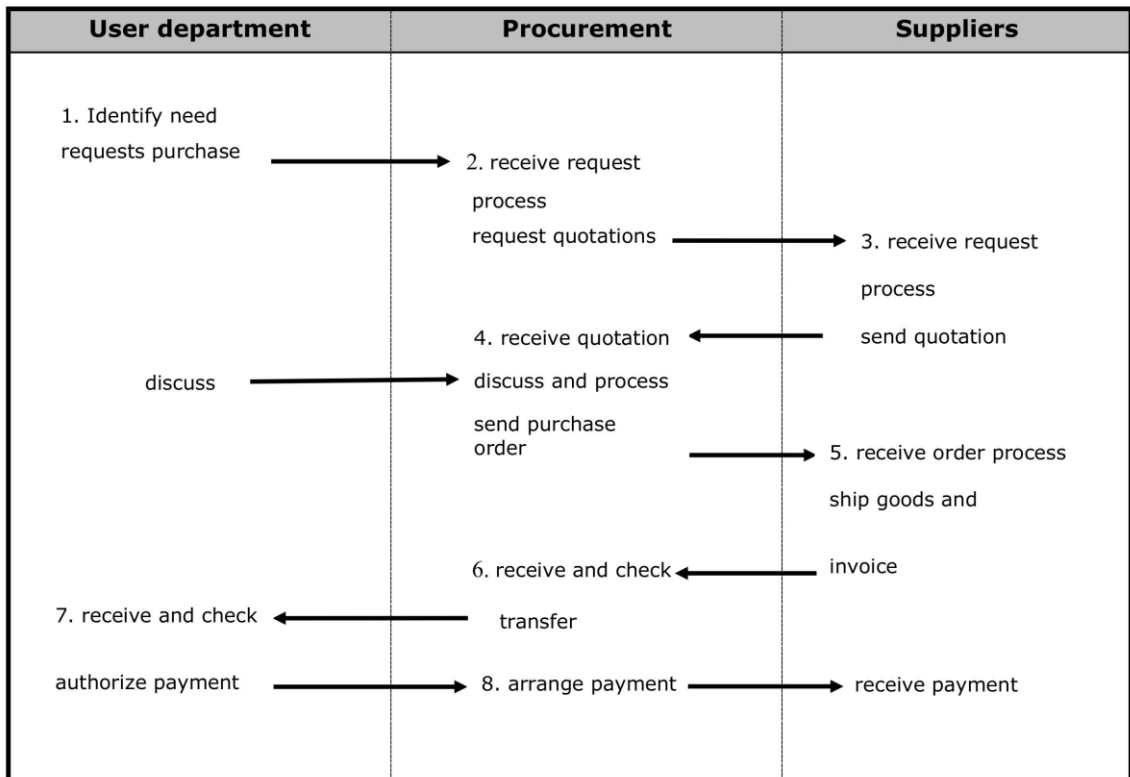
After selecting a supplier, a company must establish a few procedures for arranging purchases. A common procurement approach despite some inevitable detailed differences, can be outlined as follows (Figure 1).

a. The role of user department is to identify the requirement for purchased product, reviews departmental budgets, obtains a consent for purchase and submits a request for purchase to the procurement department.

b. The procurement department reviews, verifies and receives the request of purchase, followed by examination of the requested product, considering manufacturing options, alternative products, current stocks and other relevant factors. The final decision regarding purchasing is confirmed after consulting with the user department.

c. Upon receiving the quotation request, each supplier evaluates the request, credit status of the customer, checks the status and so on. Then a quotation is back to the customer that includes information of prices, items and conditions.

d. The procurement department then do the following tasks: commercial evaluations of the quotations, discussion of technical features with the customer and marketing department, reviews of budget details and receive approval to purchase. After selecting the top supplier and finalizing the contract details with the supplier a purchase order (PO) is issued (Khan and Yu, 2019; Waters, 2021).



**Figure 1:** Procurement process (redrawn from Khan and Yu, 2019)

### 2.3 Supplier management

It is argued that the most significant part of any procurement is identifying an appropriate supplier. The supplier should be capable, provide high-quality products, adhere to schedules, and operate at reasonable costs. Most companies maintain an approved suppliers list, who are known to be reliable or have provided excellent service in the past. However, it is often recommended to avoid relying too heavily on any single supplier or customer (Khan and Yu, 2019; Waters, 2021).

Managing and maintaining a good relationship with suppliers is a key step for any procurement (van Weele, 2018). Supplier management is mutual relationship of the company with existing and potential suppliers (Wagner, 2000, p. 21). That implies supplier management starts long before the buyer-seller relationship starts, as suppliers need to be sourced and

evaluated potential suppliers to check. To decrease cycle times, increase quality, enhance value for end users and foster mutual learning, enable innovation, throughout the supply chain, the companies actively develop stronger relationships with their suppliers (van Weele, 2018; Spekman et al., 1999). Supplier management can be done through following four steps below (Akamp & Müller, 2013).

### **2.3.1 Supplier selection and evaluation**

Appropriate supplier selection is important to reduce any risks in impending supply relationships and is a right step to fulfill the specification of the buyers in the best way (Ndubisi et al., 2005). This process consists of multiple steps typically beginning with defining needs, setting specifications, and establishing appropriate selection criteria that serve an effective supplier selection process. While some criteria are basic (e.g. quality, cost, and delivery performance), some specific criteria are also developed to satisfy specific procurement situations (e.g. ethical sourcing credentials) (Akamp & Müller, 2013; van Weele, 2018). The evaluation of supplier is a continuous process and idea behind is select and retain a limited number of qualified suppliers (van Weele, 2018). Supplier evaluation involves measuring performance using KPIs-key performance indicators (for example, rate of defects, compliance with contractual provisions). Generally, buyers assess the supplier's resources through the product audit process and systems audit, with the objective of identifying and selecting a limited number of suppliers who are highly qualified fulfilling the criteria (van Weele, 2018).

### **2.3.2 Supplier monitoring**

Supplier evaluation is a regular screening supplier and supply chain data to ensure compliance with predefined minimum requirements of contracting authority and track performance improvements (Zimmer et al., 2016; van

Weele, 2018; Akamp & Müller, 2013). This process helps identify supplier's shortcomings early, enabling corrective actions i.e. 'trouble shooting' (Zimmer et al., 2016; van Weele, 2018), and can also serve as a basis for supplier replacement when necessary. Many firms closely monitor their suppliers to ensure their continued ability to meet material requirements and specifications, known as "vendor rating or supplier rating". Rather than replacing existing suppliers, the focus of the rating is on closely evaluating their performance, pinpointing areas for improvement, and working collaboratively with them to develop and implement strategies that address these issues (Khan and Yu, 2019; Waters, 2021).

### **2.3.3 Supplier development**

Any partnership made by a purchasing company with its supplier to improve the latter's performance and/or competences that satisfy the former's supply needs is known as supplier development (Krause and Ellram, 1997). There are both direct and indirect supplier development activities. In the former one, the purchasing company allocates human or financial resources to support the supplier. Conversely, Latter one involves little to no resource commitment from the company (Wagner, 2000). Suppliers may influence a company's overall cost structure, its potential for innovation and efficacy of customer service (van Weele, 2018). Consequently, many large companies have established dedicated programs to systematically enhance supplier performance towards highly collaborative relationships (van Weele, 2018; Spekman et al., 1999).

### **2.3.4 Supplier integration**

Supplier integration is a mutual activity of both buyers and suppliers that built upon constructive, long-term s relationships as both sides contribute resources that lead to mutual benefits from the specific usage of activity (Akamp & Müller, 2013; Spekman et al., 1999). Supply chain integration

renders an understanding of the organizational drivers of buyer and suppliers' companies that moderate tensions and scale up positive vibes by mutually share information, building trust, and fostering active collaboration (van Weele, 2018; Spekman et al., 1999; Akamp & Müller, 2013).

Supply chain integration inherently involves cross-functional, multidisciplinary efforts that implement advanced practices while aligning key sourcing dimensions within strategies, systems, processes, and operations for both suppliers and buyers (Spekman et al., 1999). Early supplier involvement may lead to significant cost reductions (van Weele, 2018). However, many companies maintain reservations for supplier integration as providing exclusivity may cause dependency on uncertainty. Hence not all supplier relationships require deep collaboration; companies can prioritize strategic partnerships based on their business needs and objectives (van Weele, 2018).

## **2.4 Risk management in procurement**

In the 1950s, risk concept was first applied to the context of business (Snider, 1991). Since then, extensive research has explored sourcing risks across the global supply chain and the tactics business manager employ for risk mitigation (Ho et al., 2015; Russill, 2012). Physical supply chain vulnerabilities are often not well understood or effectively managed. The ongoing concern regarding supply chain vulnerability is supported by Aon's 2023 Global Risk Management Survey, which lists supply chain or distribution failure as the sixth most pressing global risk. Notably, at least 5 risks among the 10 from the top are directly linked to procurement activities. Specifically, Supply Chain or Distribution Failure has climbed two positions since the last survey, achieving its highest ranking to date (Aon's 2023 Global Risk Management Survey). As a result, procurement risk has evolved into a comprehensive subject rather than just a component of

isolated procurement tasks (Aon's 2023 Global Risk Management Survey, 2024). Consequently, risk management has increasingly gained importance in companies over recent years (Weigel & Ruecker, 2017).

Risk management is an increasing interest in supply chain management and other the financial sectors (Hong et al., 2016). The goal is not to remove risks entirely rather effectively control and manage them. This process encompasses all actions taken to detect and assess potential risks, and those implemented measures to manage risks that have already been recognized through appropriate strategies and methods. In essence, the primary functions of risk management include timely risk identification, in-depth understanding of the implications of accepting these risks, mitigating risks that could negate success, and effectively handling risks (Russill, 2012).

Tang (2006) identified supply chain risk management as the collaborative efforts among all actors of supply chain, for the target of continuing business and making profits. Risk management entails the timely identification of potential risks, the in-depth understanding of their potential consequences, the limitation of risks that might compromise success and the efficient handling of risks (Russill, 2012).

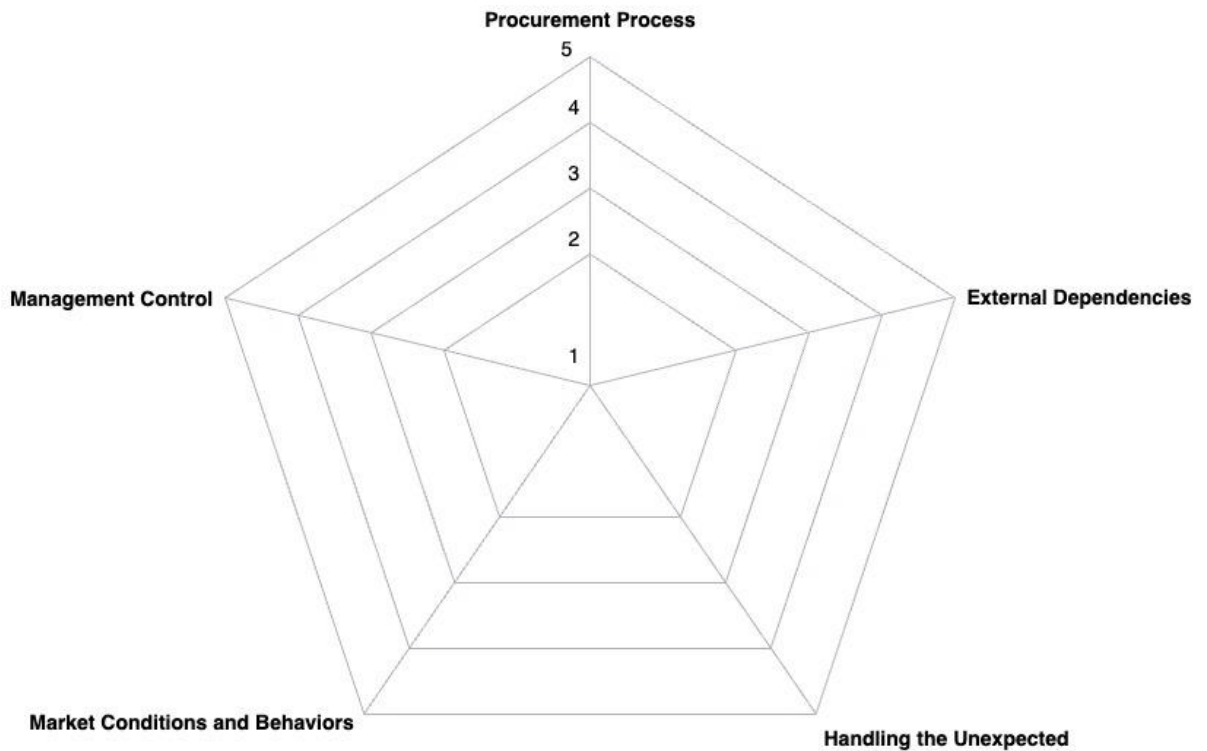
A potential risk arises every time when purchasing places an order with a supplier (Monczka et al., 2021). Factors such as heightened globalization, increasing complexity, and rapid advancements in information technology present significant opportunities, but they also introduce new, ongoing risks. Hong et al. (2018) explained procurement risk as the 'probability of variance' in terms of supply chain interruption that could lead to the buyer company's incapacity to satisfy its customer demands or could threaten the future process of any supply chain operation (p. 1550).

Ho et al (2015) broadly summarized five risk factors of supply chain as macro risk factors (e.g. disaster, war and global conflicts) and micro risk factors. Micro risk factors are further sub-divided into demand risk factors (e.g. Sudden shoot-up demand), manufacturing risk factors (e.g. Labor disputes/strikes), supply risk factors (e.g. Supplier bankruptcy) and infrastructural risk factors. Infrastructural risk factors can be further categorized into information risk factors (e.g., lack of compatibility with online platforms among supply chain partners), transportation risk factors (e.g., damage to transport during transportation), and financial risk factors (e.g., currency fluctuations). They also reported respective risk management strategies for five risk factors arising across of supply chains.

Risk management is a continuous process consisting of five key steps: first, risk identification; second, risk evaluation; third, risk control; and finally, risk financing and monitoring (Andersen, 2006, p. 34). Enterprises that implement efficient strategies for risk management are better equipped to control business risks, ensuring their success (Ho et al., 2015).

In the procurement process, risks may occur in five different landscapes (Figure 2). These are:

- External Dependencies
- Market Conditions and Behaviours
- Procurement Process
- Management Control
- Handling the Unexpected (Russill, 2012).



**Figure 2:** Risk Landscape of Procurement Process (redrawn from Russill, 2012).

The risk associated with 'External dependencies' covers those situations when a company relies on suppliers to fulfil their contractual obligations. These risks are influenced by market conditions and behaviours, encompassing the overall supply market environment. Some examples are poor performances of suppliers, over-dependence on too few sources.

The term "Market conditions and Behaviours" describes the overall economic environment in which procurement activities take place, considering the overall supply market rather than individual suppliers. Some potential risk situations are volatility in price and supply, unexpected changes to regulations.

The 'Procurement Process' involves each activity from identifying a business requirement to selecting a supplier and ensuring satisfactory performance. Some potential risks situations are wrong assessment of the suitability of potential suppliers, inappropriate or poor supplier relationship management.

Management Controls in the company indicates the proper authority usage, including delegation and adherence to established principles. Some potential risks situations are unworkable or inappropriate procedures, biased selection or over-reliance on favoured suppliers, unchecked increases of price.

'Handling the Unexpected' means being able to overcome challenges and setbacks and continue progressing toward set goals. Some unexpected situations are unsuccessful anticipation of potential risk events, delayed or deficient responses (Russill, 2012).

Identifying risks in procurement and developing viable strategies for mitigating risk is a vital goal of any strategic procurement. Procurement can manage supply chain risks by different strategies such as effective contract negotiation, quality and other essential supply characteristics, cost and price models, (Lysons & Farrington, 2020).

## **2.5 Responsible Procurement**

The United Nations Brundtland Commission defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987). To achieve this, sustainability involves both environmental protection and socioeconomic issues (He & Harris 2020). Due to the increasing volume of sustainability-related policy and legal instruments, demands from consumers and civil society organizations, make it very challenging to run

a business without at least minimum adherence to sustainability aspects (Aichbauer et al., 2022). As such responsible procurement became a vital term for procurement process because of globalization, increased legal and policy compliance and pressure from different stakeholders such as consumers, investors, governments, NGOs and employees (Hoejmose & Adrien-Kirby, 2012).

Responsible procurement became a key strategy widely accepted by global, multinational and national organizations, spearheaded by various stakeholders such as customers, governments, NGOs, investors and employees (Hoejmose & Adrien-Kirby, 2012). For example, The United Nations expects its suppliers to uphold values like human rights, social equity, human dignity and gender equality (UN, 2017). The European Commission emphasizes the importance of socially and environmentally responsible procurement. It encourages public buyers to consider the price and the production, sourcing and services and goods delivery methods. This approach allows for strategic delivery of positive social outcomes, like decent work, promoting employment opportunities, accessibility, social inclusion and compliance with labour rights both within the EU and globally. Additionally, the Commission has set targets to choose services, goods and works with a lower environmental impact, contributing to the sustainability goals at the local, state, and global level (The European Commission, 2024).

Finland has a longstanding tradition of compliance with labour law, environmental legislation, occupational protection and health regulations, human rights promotion, and anti-corruption efforts. As a member of both the European Commission and The Organization for Economic Co-operation and Development (OECD), Finland follows the guidelines set forth by both organizations for responsible procurement.

The Ministry of Economic Affairs and Employment is the lead agency on Corporate Social Responsibility (CSR) within the Finland government. Additionally, CSR-related matters are addressed by the Prime Minister's Office, the Ministry of the Environment, and the Ministry for Foreign Affairs. These ministries collaborate and engage with stakeholders to coordinate their efforts effectively (The Ministry of Economic Affairs and Employment, 2024).

In fact, all the United Nations members are committed to ensuring some sort of environmentally and socially responsible procurement, as it is incorporated into one of the seventeen Sustainable Development Goals (SDGs). These SDGs adopted by all United Nations member states in 2015. These 17 SDGs have 169 targets to be achieved by 2030. Goal 12, specifically focused on "Responsible Consumption and Production," that includes 11 different targets. Among these, Target 12.7 sets aims of promoting sustainable public procurement practices.

While the 17 SDGs were initially designed for UN member states, corporations are increasingly embracing and adapting them. Businesses recognize that sustainability is not just about complying with regulations; it's crucial for their long-term competitiveness (Aichbauer et al., 2022). This growing awareness of corporate responsibility results in to develop the UN Global Compact. This drive, considered as the world's biggest corporate sustainability, encourages businesses worldwide to orient their business activities with 10 core principles, encompassing anti-corruption initiatives, labor standards, environmental stewardship, and human rights (UN Global Compact, 2012).

Additionally, various international non-government organizations (NGOs) are actively involved in promoting responsible procurement through campaigns, advocacy, and sustainable sourcing certifications. For instance,

Fair Trade, an international organization that connects farmers and workers with buyers, advocating for fair business practices. Fairtrade aims to transform trade practices by ensuring fair working environment, fair prices, and a better deal for farmers and workers (Fairtrade, 2024). The Rainforest Alliance offers a sustainable agriculture certification program for products like pineapples, orange juice, coconut oil, hazelnuts and vegetables. This certification ensures that these commodities are produced without harming ecosystems or the well-being of rural communities.

Although the terms are sometimes used interchangeably, responsible procurement and sustainable procurement are very different. The former addresses ethical and sustainable considerations in all facets of sourcing. By giving preference to eco-friendly items and practices during the procurement process, sustainable procurement focus to minimize negative environment impacts.

## **2.6 Sustainable Procurement**

Procurement certainly plays a key part in any initiative for sustainability, because of its inherent link to the supply chain. Statistics shows that supply chain contributes approximately 80% of its business's total emissions of greenhouse gas and over 90% of the environmental impact (Bové & Swartz, 2016). Sustainable procurement imply that any sourcing decisions should be made to increase performance considering environmental, social, and economic goals (Carter & Rogers, 2008)'. The natural-resource-based view, institutional theory, stakeholder theory are some frameworks to study sustainable procurement (Hoejmose & Adrien-Kirby,2012). The natural-resource-based view submits that companies attain success by incorporating environmental considerations with respective planning and operations (Hart, 1995). Thus, it sets three interrelated key capabilities- 'pollution prevention, product stewardship, and sustainable development'- for accomplishing both business and environmental sustainability and

making a competitive advantage (Hart, 1995). The stakeholder theory suggests organizations target to generate multiple benefits thus emphasizes the interests of all stakeholders (e.g. customers, employees, civil societies, governments, suppliers) in their process of decision-making (Freeman, 1984). Whereas institutional theory focuses on normative and external pressure – such as norms, rules, and competitive dynamics – characters any business's plan and approach towards shifts to corporate sustainability (DiMaggio & Powell, 1983) that explain why more and more companies move towards sustainable procurement practices.

Though sustainability is often used as a general term, it clearly has different aspects. In the case of business, the concept is most often as Corporate Social Responsibility (CSR), sometimes it is simply referred to as sustainability (van Weele, 2018). The policy of CSR considers the responsibility of organizations and marketing channel for their effects on the environment, people and society (The Ministry of Economic Affairs and Employment, 2024). As sustainable business practices influence decisions of both investors and consumer, embracing sustainable business strategies can bring advantages to both consumers and companies (Park, 2023).

In the CSR principles, many companies emphasize three major stakeholders: people, planet, profit' which is "triple bottom line" approach have been adopted that considers profit, environment and people (Kumar et al. 2012). The 'people' aspect includes every activity focusing on providing good working conditions and fostering a workplace environment where employees can advance their skills and capabilities. The 'planet' aspect focuses on the responsible utilization of natural resources, while also addressing waste disposal, material reuse, reverse logistics, and reducing carbon emissions. The 'profit' aspect emphasizes sustainable financial growth while considering the interests of all stakeholders (van Weele, 2018). Carroll (1991) visualized corporate social responsibility (CSR) through the sustainability pyramid, highlighting four key dimensions:

economic, legal, ethical, and philanthropic. Instead of focusing only on profits, the pyramid illustrates how businesses can integrate responsible practices across all areas.



**Figure 3:** Corporate Social Responsibility Pyramid Model (Carroll,1991).

## **2.7 Strategies for Responsible Procurement**

Research suggests various strategies (particularly by implementing CSR) for responsible procurement. These strategies include sustainable and ethical sourcing, supplier diversification and local procurement, supply chain transparency and traceability, maintaining supplier code of conduct, long-term supplier relationships and capacity building, risk management and monitoring, adopting sustainability certifications and conducting audits.

**Sustainable and ethical sourcing:** When considering sustainable sourcing, procurement should prioritize suppliers and materials by integrating social, ethical and environmental standards. Ideally, selected suppliers should deliver eco-friendly raw materials produced and delivered by energy-efficient processes and have reduced waste. Ethical considerations involve ensuring the supplier's commitment to adhere to fair labour practices, the position of vulnerable people and free exploitation of workers (e.g., child or forced labour) as outlined by the International Labour Organization (ILO) (The Ministry of Economic Affairs and Employment, 2013). The UN Guiding Principles on Business and Human Rights calls on companies for adherence to human rights of the people with which they conduct commercial transactions (United Nations Human Rights, 2011).

**Supplier diversification and local procurement:** Responsible procurement can promote supplier diversification by engaging small and medium enterprises (SMEs), and less privileged disadvantaged businesses. Supporting local sourcing not only stimulates local economies but also fairly distributes wealth and decreases the carbon footprint of long-distance supply chains.

**Transparency and traceability in the supply chain:** Transparency is one of the main principles of sustainability. There should be a system for tracking the origins of materials. The whole process of material production, how suppliers handle environmental issues like waste, pollution, and recycling, as well as labour working conditions, should be transparent and visible to all stakeholders (Aras & Crowther, 2016).

**Maintaining supplier code of conduct:** Businesses have significant leverage over their suppliers' actions through their purchasing activities thus, the company often achieves ambitious sustainability goals by putting higher standards for supplier suitability (Bové & Swartz, 2016). The Act on Public Procurement of Finland has mandatory exclusion criteria for certain economic and labour offenses, human trafficking, and involvement in organized criminal activities.

**Long-term supplier relationships and capacity building:** A key tool for influencing outcomes in procurement partnerships is effective collaboration between consumer companies and suppliers. By leveraging these relationships, both parties can improve performance and accomplish business growth (Lee et al., 2013).

**Risk management and monitoring:** It's recommended to start with a risk analysis of all products and services to be purchased to prevent adverse impacts. The risk analysis should consider factors like basic working conditions, workforce conditions, production process, surveying occupational safety and health, and the overall supply chain situation. If a public procurement project poses social responsibility risks, the contracting entity should include social responsibility requirements in their supply chain process (The Ministry of Economic Affairs and Employment, 2024).

**Sustainability certification adoption and auditing:** Green corporate strategies have been popular among industrial companies as environmental issues gain more and more attention. Using buyers' purchasing policies and practices to push suppliers to adopt certifications and comply with regulation auditing may be referred to as the "greening" process of procurement.

This certification adoption approach now goes beyond the operation boundaries of organization and extends in the supply chain (Jia & Jiang, 2018). For instance, the World Wildlife Fund (WWF) have more than 50 performance indicators to measure supply-chain risks linked with producing a variety of commodities (Bové & Swartz, 2016).

### **3 RESEARCH METHODOLOGY**

This chapter explains the methods I followed for conducting the study. Here the research process e.g. method of the study, sources of data, data collection tool, data analysis tool are presented.

This study was based on qualitative method. Qualitative research delves into deeper insights into real-world challenges. Qualitative research gathers respondents' lived experiences, perceptions, and behaviour, which can be complicated to capture accurately by using numerical data (e.g. for quantitative research). Thus, one benefit of qualitative research is its strength to explain any phenomena or nature of human behaviour under study, that otherwise can be complex to quantify in number (Tenny et al., 2022). Qualitative research can be either inductive or deductive. Inductive reasoning is drawing conclusions from the interpretation data. New information is weaved together into theory. When using deductive reasoning, the researcher tests hypotheses or principles using a predetermined, existing subject (Bengtsson, 2016).

#### **3.1 Steps of the research**

The present study followed four steps (modified from Bengtsson, 2016) which are

Research Planning: Selection of respondents, data collection method and selection of data analysis method

Data Collection: Email based interview using open-ended questions, Literature review

Data Analysis: Thematic analysis and Inductive approach

Reporting and Synthesis of Result: Key findings, conclusion and discussions, direction for further research.

At the initial stage of research planning, I was attempting to select company. I targeted some prospective companies and emailed them explaining the thesis's purpose and requesting their voluntary participation. One of the company's heads, Fazer replied positively to me to allow based on their company for providing information. The head of the company referred me to the person who are knowledgeable of the procurement process in the company.

### **3.2 Interview**

I contacted with the expert at Fazer via email. After several communications via email, I sent a questionnaire designed around the research objectives and knowledge gaps identified in the literature. The questionnaire focused on challenges, best practices and future trends in areas such as requirement identification, supplier identification and selection, asking for a RFP/RFQ, issuing purchase orders, invoice approval and payment processes, maintaining strong relationships with suppliers, managing procurement-related risks (i.e., risk management), and aligning with the objectives of the study. In the email interview, I chose not to specify a strict timeline for each phase, as the participant was an expert in the field. However, I was prepared to allow a two-week period for responses. Follow-up emails were sent as needed. Additionally, all correspondence was saved in digital format to ensure privacy, as promised.

### **3.3 Secondary data**

Secondary literature such as annual reports, websites and scientific articles were reviewed to gather information and fill gaps in the primary data. The study particularly drew on annual reports and online content of the Fazer group.

### **3.4 Method of analysis and reporting**

Data was analysis using thematic which provides a thorough, qualitative and nuanced explanation of data (Braun & Clarke, 2006). Due to the small amount of data, manual coding was done. The analysis involved identifying themes, applying and developing codes, assessing reporting patterns, and establishing relationships within the data and theories. In the conclusion and discussion section, the interpretation was done to establish a link between the findings and research questions (Business Research Methodology, 2024).

## **4 RESULTS**

In this chapter, the research findings will be presented, which will provide a profound understanding of the procurement process and challenges.

### **4.1 Global sourcing and procurement of Fazer**

The key raw materials of Fazer are wheat, rye and oats, as well as cocoa, berries, milk, sugar, and fruits. In 2023, the key raw materials come from about 5,600 suppliers worldwide, providing 5,500 ingredients. Most of the suppliers are from the Nordics, excluding ingredients like cocoa. Fazer engages with producers and farmers through various supply chain activities. Finnish flour is always used in Fazer shop-in-shop bakeries. Cocoa and grains. wheat, oats, rye, hazelnuts, berries, vegetables, palm oil, and meat are sourced internationally. Meat sourcing prioritizes local sources. In 2023, 85% of the meat Fazer used was sourced locally (Fazer Annual Review, 2023).

The analysis of interview materials indicated that Fazer follows standard procurement procedures with an important focus on maintaining sustainability and fairness at all levels. They maintain some specific strategies for international procurements (Table 1). The procurement process starts with the identification of its requirements. Fazer sourced cocoa through Fazer Cocoa Farmer Programs in Ecuador, Nigeria and Ivory Coast, also through the Cocoa Horizons program, certified by the Rainforest Alliance and Fairtrade cocoa programs. Fazer has three farmer programs involving 333 farmers in Ecuador, 565 farmers in Ivory Coast and 2,754 farmers in Nigeria. Ecuador provides about 25% of Fazer's cocoa, while West Africa provides 75%.

The selection process itself considers several factors:

- **Type of purchase:** Fazer may issue an RFP outlining specific needs or a RFQ depending on the type of purchase.
- **Sustainability requirements:** Regardless of the purchase type, all suppliers must meet Fazer's sustainability requirements.
- **Quality requirements:** For raw materials and packaging materials, Fazer maintains specific quality standards. If a supplier or material doesn't meet all the requirements, they won't be selected.
- **Commercial terms:** Once the above criteria are met, Fazer negotiates commercial terms like pricing and availability.
- **Final approval:** Only after all factors are considered and negotiations are settled will Fazer approve the supplier and purchase.

Contract negotiation depends on the specific purchase material or services. Negotiations are conducted differently for commodities like cocoa, where market follow-up is crucial. Fazer conducts normal B2B negotiations for making contracts and uses e-sourcing tools where they can run tender rounds and e-auctions. For all purchases, Fazer employs a 3-way matching process, requiring either a purchase order/good receipt match to the invoice or invoice review and approval.

**Table 1:** Fazer's key strategy in international procurements

| <b>Steps in International Procurement</b>                  | <b>Key strategy of Fazer</b>  |
|--|---|
| Identification of requirements                             | <ul style="list-style-type: none"> <li>• Sourcing its own Cocoa Horizons program, and partnership with the Rainforest Alliance and the Fairtrade cocoa program.</li> <li>• Third-party verification by SCS Global Services for traceability</li> </ul>  |
| Identification of the suppliers and making final decisions | <ul style="list-style-type: none"> <li>• Signatory of the Supplier Code of Conduct that sets the basic conditions related to occupational health and safety (OHS), environment and business ethics, human rights</li> <li>• Supplier self-assessment questionnaires to examine the suitability of suppliers.</li> </ul> |
| Request for Proposal (RFP)/ Request for Quotation (RFQ)    | <ul style="list-style-type: none"> <li>• Follow sustainability requirement</li> <li>• Use e-sourcing tools for tender round and e-auctions</li> </ul>   |
| Contract negotiation                                       | <ul style="list-style-type: none"> <li>• Standard B2B negotiations</li> </ul>   |
| Invoice approval and payment                               | <ul style="list-style-type: none"> <li>• Follow 3-way match</li> </ul>  |
| Record keeping   | <ul style="list-style-type: none"> <li>• Digital record keeping, regular audits</li> </ul>  |

## 4.2 Supplier Management

Fazer selectively works with their business partners and suppliers. Another technique Fazer employs to evaluate suppliers' suitability and analyze if they satisfy the standards is supplier self-assessment questionnaires.

The Supplier Code of Conduct establishes the fundamental conditions related to OHS, environment and business ethics, human rights. Fazer maintains three tiers of supplier sustainability engagement. The first tier includes suppliers spending over EUR 10,000 annually must sign the Supplier Code of Conduct. At second tier, Fazer requires certifications for high-risk and specific raw materials. The third tier involves strategic raw materials, such as grains and cocoa. Fazer uses supplier self-assessment

questionnaires to evaluate supplier suitability and compliance with standards. Additionally, there is a supplier risk assessment strategy to categorize suppliers as high, medium, or low risk. Fazer's supplier risk assessment serves as a framework for evaluating the risk levels associated with the suppliers, by categorising them as high, medium, or low risk. When assessing suppliers, the risk model is used. particularly during the supplier approval process. Additionally, Fazer relies on the risk model when planning for the verification needs of our suppliers.

They prioritize supplier relationship management by fostering strong and collaborative relationships with suppliers. Fazer maintains the most important Supplier Relationship Management (SRM) concept through various activities such as regular meetings with suppliers with fixed agendas, where the participants agree with the development/improvement/innovation actions and follow up on them. In ensuring sustainability, Fazer focused on different stakeholders' engagement including suppliers and service providers. Fazer do meetings, agreements, put supplier requirements, develop audit questionnaires, audits, and visits. Fazer manages supplier relationships through meetings, audit questionnaires, visits and monitoring meetings. Fazer also visits and assesses the supply chain conditions and reviews their quality and sustainability practices in different sourcing countries such as supply chains for hazelnuts in Turkey. To lessen the environmental effect of raw material production, they work together very closely with suppliers to source raw materials responsibly and fairly. They also seek to protect human rights, fair wages, and decent working conditions across the supply chain.

Fazer prioritizes transparency and sustainability in the supplier selection process. They conduct audits in origin countries to ensure responsible practices. They choose suppliers based on technical capabilities, adherence to their Supplier Code of Conduct which outlines environmental and ethical standards, trustworthiness, competence. The Supplier Code of Conduct provides the basic conditions related to the topics of human rights, OHS, environment and business ethics. To promote sustainable sourcing in their operations, Fazer evaluates the proportion of spending from suppliers who signed the Supplier Code of Conduct. They use supplier self-assessment questionnaires to evaluate the suppliers' suitability and ensure supplier meet these standards. In 2022, Fazer conducted a human rights impact assessment to assess the risks in their supply networks for raw materials, including OHS, living wages, modern slavery, and child labour.

#### **4.3 Responsible sourcing practices**

The analysis of the annual report (2023) of Fazer revealed different activities related to sustainability, which are presented in this section. The company reported some initiatives related to environment sustainability, Fazer requires suppliers to set ambitious Carbon emission reduction targets. As such, 47% of their suppliers committed to 'science-based emission reduction targets' by 2023. This is significant progress towards their target of 53% by 2025. To maximize agricultural yields while lowering carbon emissions from mineral fertilizers, the company partnered with Yara, a fertilizer company. One of the main sources of emissions in farming is this kind of fertilizer. The company actively participates in a project on Integrated Pest Management (IPM) in Finland thus minimising the impact on the environment.

Responsible sourcing is another attempt. According to Fazer company report, in 2023, 40% of cocoa came from certified sources, while 60% was sourced through farmer programs. Fazer's sourcing through farmer

programs enables them to channel their support actions to cocoa farmers, measure and monitor progress, improve traceability, and secure reassurance that sourced cocoa is not sourced from protected forests. Fazer's cocoa, traceable to individual farms, is verified by SCS Global Services as meeting good sourcing practices. Fazer began mapping cocoa farms using GPS in 2022 to improve traceability. The four main focuses of the Cocoa Farmer programmes are reducing carbon emissions, living income, deforestation, and child labour. In addition to putting Child Labour Monitoring and Remediation Systems (CLMRS) into place, the farmer programmes' different initiatives include paying farmers premiums and offering training in excellent agricultural practices, ten guidelines for adopting sustainable farming that minimize eutrophication, preserve biodiversity, and reduce the use of pesticides in agriculture are included in Fazer's Grain Vision. Sustainable farming practices are used by more than half of Fazer's contract farmers in Finland (Fazer Annual Review, 2023).

Fazer uses Rainforest Alliance (RFA) certified cocoa and hazelnuts in good sourcing practices. The Roundtable on Sustainable Palm Oil (RSPO) certify all of Fazer's palm oil as sustainable. Fazer exclusively uses sustainably produced fish and shellfish certified by WWF Finland. In 2023, 78% of the fish Fazer used was green-listed, MSC or ASC certified, while 22% was yellow-listed and it does not source endangered or threatened fish species as documented on the IUCN Red List. The company have specific team working on the Environmental, Health and Safety (QEHS) network, Sustainability and Quality, including experts from their businesses and educational and research institutions stakeholders, farmers and NGOs. As a signatory of the UN Global Compact since 2012, Fazer expressed its commitment to upholding ethical principles, fair labour practices, environmental protection (reduce the environmental impact of raw material production, sourcing raw materials fairly and sustainably), and anti-corruption (Fazer Annual Review, 2023).

#### **4.4 Risks and risk management**

In any situation, procurement has several risks and challenges. The analysis of secondary literature found that Fazer faces several procurement risks and challenges. The year 2023 was characterized by continued challenges related to energy and raw material price volatility, uncertainty, and salary and cost inflation, high interest rates (Fazer Financial Statement, 2023; Fazer Annual Review, 2023). Despite their different strategies, these risks likely have significant impacts on various procurement steps (Table 2).

**Inflationary pressure in key raw material prices:** Like any other business, Fazer's business strategy focuses on profitable growth. As a large buyer of raw materials, their fair pricing and availability of raw materials are essential for their profit margin and business success. Thus, price fluctuations and key raw materials availability like sugar and cocoa, combined with salary inflation, are major risk factors for Fazer's procurement.

**Regulatory change:** The whole procurement process, packaging, waste management, raw material production, health and safety practices industry is strictly regulated and subject to close monitoring by the government. The Government often changes laws, regulations and interpretations which might affect import and tax regimes that could adversely affect Fazer's procurement process. Climate change also poses a risk of new laws to reduce the carbon footprint of the procurement cycle. These changes could lead to higher operational costs within the procurement function.

**Unrest in global energy markets:** Higher prices of energy and raw materials and volatile market situations caused by different global

geopolitical unrests can have a ripple effect on global production chains, affecting commodity prices. While Fazer may be well-prepared to handle short-term disruptions, long-term instability presents a considerable risk. The increasingly challenging situation may result in drastic cost curtail measures to ensure business continuity, potentially leading to growing displeasure and strikes among employees.

**Operational breaks:** Procurement operations can be disrupted by various factors, leading to operational breaks. These disruptions can include fires, machinery breakdowns, shortages of skilled labour, and transportation issues caused by increased freight volumes. Such disruptions in any part of the procurement cycle can negatively impact the supply of raw materials, affecting the overall procurement process.

**Financial risks:** The procurement process is also vulnerable to a range of financial risks (e.g. fluctuations in exchange rates, liquidity issues, interest rate changes, challenges related to financing and refinancing, and the risk of default by suppliers).

**Table 2:** Major risks in procurement, effects and strategies

| <b>Major risks</b>                               | <b>Type of risk landscape</b>           | <b>Pathways to Affecting Procurement</b>                                      | <b>Fazer’s strategy</b>   |
|--|---|---|---|
| Inflationary pressure in key raw material prices | <i>Market Conditions and Behaviours</i> | Need to pay more to procure raw materials                                     | Continuous monitoring the situation and finding mitigating measures as top priorities for management.       |
| Regulatory change                                | <i>Market Conditions and Behaviours</i> | Increase operating costs to maintain regulatory requirements for procurements | Continuous attempts for improving the energy efficiency and reducing emissions throughout its supply chain. |

|                                       |   |                          |  |
|---------------------------------------|---|--------------------------|--|
| Unrest in global energy markets       | <i>Market Conditions and Behaviours</i> | Increase operating costs | Continuous dialogue engagement with employees and labour representatives to build mutual trust   |
| Operational breaks in the value chain | <i>External Dependencies</i>            | Increase operating costs | Mitigation attempts by continuous improvement of processes, conducting risk assessment, updating business planning and transfer of risk through insurance.                     |
| Financial risks                       | <i>Market Conditions and Behaviours</i> | Reduce profitability     | Yearly evaluation and analysis of the Group's strategic, operational, and financial risks as part of its risk management policy and adopting measures to mitigate these risks. |

Fazer adopts different steps for risk management in procurement. Fazer has risk management tools like questionnaires to monitor/identify suppliers' financial, sanction, availability, sustainability and quality risks. This helps them anticipate potential consequences. Fazer works with existing suppliers and seeks new ones to ensure a stable supply of key materials. This improves price competition, boosts production capacity, if needed, also lowers sourcing risk. Fazer's procurement team work towards to mitigate risks of availability, quality, capacity, pricing, geographical dependencies and other relevant requirements. The group maintains a hedge policy for raw material prices. Price increases and short-term adjustments are used to manage rising key raw material costs. Fazer also builds mutual trust and engagement with its employees with continuous dialogue. Overall, Fazer approaches risk management as a continuous process through ongoing business continuity planning, process improvement, risk transfer through insurance and conducting risk surveys.

## **5 DISCUSSION AND CONCLUSIONS**

This chapter presents discussion and interpretation of results, clarify ethical questions, argues for reliability and validity of findings and indicates the areas for next research.

### **5.1 Major findings and implications**

Drawing on both of primary and secondary data, this thesis has the objectives to see how a Finnish company conducts international procurement, to what extent, the procurement is responsible, the risks it encounters during procurement and its risk management strategies. The analysis of its procurement procedures reveals that Fazer followed standard procurement process for its international procurement. Supplier management became a core element in the process of procurement. In line with the standard definition of supplier management, Fazer has apparently implemented four common key strategies: supplier selection and evaluation, supplier monitoring, supplier development, and supplier integration as shown in literature (Akamp & Müller, 2013). This approach has proven to be essential in maintaining competitiveness in a business environment where it is crucial to do things precisely, otherwise every error may lead to time loss and extra costs (van Weele, 2018).

The company reported strong focus on responsible procurement during all steps of its procurement process. The analysis shows that the procurement practice of Fazer focuses on environmental sustainability, social responsibility, economic viability and ethical conduct. Fazer's responsible procurement mission adopted different strategies that largely match with Corporate Social Responsibility, such as ethical sourcing where supplier adhere to fair labour practices (United Nations Human Rights, 2011), local sourcing by engaging small and medium enterprises (SMEs), and less privileged, transparent and visible supply chain (Aras & Crowther, 2016),

maintaining supplier code of conduct and setting high standards for supplier suitability (Bové & Swartz, 2016) espousing mutual business growth by long-term supplier relationships and capacity building (Lee et al., 2013), continuous risk analysis and monitoring of all goods and services in the supply networks, adoption of sustainability certification and auditing (Bové & Swartz, 2016).

To evaluate the sustainability of responsible procurement within a company, understanding the factors that either enable or hinder its commitment to responsible sourcing is necessary. Research suggests that adopting socially and environmentally responsible procurement practices, influenced by internal and external factors, can enhance a company's productivity and profitability, particularly as consumer preferences shift towards sustainably sourced products. In Finland, where the food and beverage industry rank as the fourth major sector, the demand for food is projected to rise by 50% by 2030 (Bioeconomy Finland, 2021). Given this growing demand, companies will likely place even greater emphasis on competitiveness, reputation management (Hart, 1995) and interests of all stakeholders (Freeman, 1984). The adoption of socially responsible practices is becoming increasingly vital, especially considering the large number of stakeholders involved and the country's well-established regulatory framework for environmental, social, and economic sustainability (Bioeconomy Finland, 2021). The company analyzed in this study has a comprehensive strategy for responsible procurement, which is likely to be influenced by the case that Finland and the European Union have stronger legal, policy and institutional framework, along with consumer awareness for maintaining environmental, social and economic sustainability (DiMaggio & Powell, 1983; Carroll, 1991).

However, it can be safely assumed that maintaining good procurement practices in a functional way is challenging. For example, implementing codes of conduct can be challenging because of suppliers' and purchasers' lack of commitment. The third evaluation such as monitoring and auditing can also be faulty as auditors often prioritize the number of firms they can visit over auditing quality. The provision of a reward (e.g. continuous trade) and penalty (e.g. termination of trade) in compliance with the code of conduct is often suggested as a remedy. Trust between the buyers and suppliers is beneficial for reducing monitoring costs (Hoejmose & Adrien-Kirby, 2012).

Though Fazer practices risk management strategy with continuous monitoring and evaluations of any situation, they were still exposed to various risks during the procurement process. These risks are not uncommon as they are mostly related to market behaviours and conditions and external dependencies (Russill, 2010). Importantly, to mitigate these risks, Fazer utilized hedge contracts for raw material procurement, a crucial risk management strategy. Various risk management approaches applicable to any company have been suggested in academic literature. Diversifying the supplier base is a well-established strategy for mitigating supply chain risks, including uncertainty in yield, demand fluctuations, and price volatility. By spreading orders across multiple suppliers, buyers can reduce their exposure to the risks linked with a single source dependency. This diversification strategy can be particularly effective in mitigating the impact of yield uncertainty, as small orders from multiple suppliers can reduce yield uncertainty (Lee et al. 2013; Jia & Jiang, 2018). Backup suppliers help meet uncertain demand, with backup suppliers offering short lead times for quick responses. To mitigate risks and reduce costs, organizations can implement strategies such as flexible sourcing contracts and collaborative decision-making with suppliers. Hedging strategies can be employed to manage price and demand uncertainty. Additionally,

supplier development programs, including investments in production infrastructure and quality control measures, can help to decrease yield uncertainty and improve overall supply chain performance (Hong et al., 2018). Effective relationship management is crucial to achieving business growth for buyer and suppliers (Lee et al., 2013). Building trusting relationships and cooperation with suppliers is also considered a crucial factor in promoting ethical sourcing behaviour (Jia & Jiang, 2018).

## **5.2. Validity, reliability and transferability**

The quality and credibility of research depend on three key criteria: validity, reliability, and transferability. Validity assesses whether the chosen research methods accurately measure what they are intended to, while reliability ensures that the results can be consistently reproduced. Validity or reliability of research findings is commonly tested by triangulation (Golafshani, 2003).

This study applied a multi-source data collection approach. To ensure validity, I employed appropriate research tools to collect appropriate data. Research questions were designed to achieve study objectives, then data collection process and analysis were also done appropriately. The synthesis of findings and drawing conclusions are also based on research findings. For data extraction and analysis, several methods were employed for data triangulation. I collected data to generate insights from primary stakeholders in the procurement process as well as secondary sources, such as financial reports, annual reports, website content and relevant scientific literature. This multi-source data extraction approach enabled me to triangulate information. For the 2nd tier triangulation (of resources and theories) I employed multidimensional concept-oriented analysis using several theories. By comparing data from multiple sources and analyzing them through various theoretical frameworks, the findings were cross-verified several times and passed through triangulation, ensuring their

reliability and broader applicability, which is fit for replicability of the processes and the results. The result reflected real-world practices and lies with consistency of other research as I compared and contrasted data with relevant literature. The secondary data presented here are verified with references.

Transferability is the ability to employ concepts and/or findings from one research study to different people, situations, and times (Drisko, 2025). This research provides a detailed account of the study setting, participants, and timeframe, allowing readers to evaluate the relevance of its results to other similar settings. Because it follows standard research procedures and relies on well-established methodologies, this study offers findings that are reliable, transferable, and consistent with previous research.

The robustness of the presented data is further supported by proper source verification and a rigorous approach to data collection and analysis. The results, grounded in real-world practices, contribute to the wider discourse on responsible procurement and its impact on sustainability.

### **5.3. Challenges and limitations**

As this thesis is relied on a sole case study reflecting the views of the company only, both in the interview and in the documents analysed, thus there is the potential risk of biasness. For ensuring reliability and validity of the findings, data triangulation was done. Given that company reports as secondary data could be a potential source of bias as it might be influenced by the company's internal policy and objectives. To overcome this challenge, I cross-referenced data from the reports with academic literature. Comparing and contrasting with relevant literatures that allow a more objective interpretation of data and validate the result. Data analysis was also systematic and transparent. I employed thematic analysis to categorize the data into themes that aligned directly with my research

objectives. This structured approach had minimal scope for personal bias and ensured that my conclusions were based on clear and consistent criteria, rather than subjective judgment. Ethical considerations played a crucial role in ensuring objectivity and minimizing bias. I maintained good practices during data collection such as ensuring participant confidentiality. Before the interview proceeds, I explained the objectives of my research. I also adhered to proper citation practices. These steps reflect the author's efforts to conduct an objective investigation, and the results can still offer valuable insights for practitioners and future research.

By doing this thesis, I learned much about how to retrieve scientific information and approach potential respondents for interview. It also helps the author to learn analysis of different data sources to present information more scientific way for conclusion drawing. This research enriched my understanding of Finnish company operations within the Finnish and European Commission business ecosystem. I also learned that the research would be much more interesting and less challenging if I were able to spend some more time carrying out an internship in the company to practically experience procurement practices.

#### **5.4. Recommendations for further research**

Further research in several key areas could provide additional insights into procurement practices. Based on primary data collected from all stakeholders in the procurement cycle, a thorough assessment of supplier evaluation and selection can be done. Additionally, risk management remains a critical challenge in procurement, necessitating further investigation into risk mitigation strategies and the risk ecosystem. Particularly, how different global conflicts and trade wars can impact global sourcing as well as potential strategies that can be adopted in response.

Conducting a cost-benefit analysis of sustainable procurement practices at Fazer may also yield valuable insights, encouraging other companies to implement similar approaches.

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