

# How should they practice csr activities efficiently commerce essay



The current focus of corporate social responsibility for corporations is no longer on how they implement CSR activities, but on how should they practice CSR activities efficiently and effectively (Roberts, 2003). During the last three decades, more and more companies, especially the large multinational corporations, have implemented and set up series of voluntary codes of conduct, formulated sustainability strategies and also announced and implemented environmental annual reports to engage in corporate social responsibilities. Indeed many multinational corporations have made efforts to engage in their corporate social responsibility by dealing with environmental and social issues in global supply chains. However, there is still a gap between the desirability of supply chain sustainability in theory and the implementation of sustainability in practice (Bowen et al., 2001; Andersen & Skjoett-Larsen, 2009).

In discussing the different aspects of corporate social responsibility; one issue needs to be particularly pointed out that this study cannot cover every single aspect of corporate social responsibility practices in terms of definition, application as well as management aspects. After all, corporate social responsibility cannot be easily disentangled from the company's operations. Since CSR is a complex concept and issue, it is embedded within the organisation from top to bottom and also across the global span of operations.

This study focus on the key issues related to CSR practices in the global supply chains.

## **Research questions and purpose**

This study is going to identify a conceptual framework for understanding and analysing CSR practices in global supply chains. The purpose of this study is going to address following research questions:

Understanding corporate social responsibility and supply chains in the global context.

How is corporate social responsibility related to and applied in global supply chains?

How are corporate social responsibility activities and practices implemented and managed in a specific chosen multinational corporation- Primark?

## **Structure of this study**

Chapter two explains the broad literature review on corporate social responsibility and supply chain management. In chapter three, methodology and data collection will be explained. Chapter four contains a theoretical framework of globalisation, corporate social responsibility as a challenge of business in a global context, supply chain in the globalisation, corporate social responsibility in global supply chains as well as the motivations of implementing CSR practices within supply chains. And how these concepts are interrelated will be also discussed in this section. Chapter five will provide empirical findings from a case study-Primark. Chapter six includes analysis of this study. Chapter seven will consist with conclusions, discussions, and limitations of this study as well as the academic and practical recommendations. Chapter eight is mainly followed by a reference

list and the appendixes. The overall structure of this study is showing in the Figure 1.

Figure 1. The structure of this study

## **Literature review**

The main purpose of this section is going to provide a theoretical framework. It basically identifies the literature achievements and some current social issues that organisations confront with. Firstly, this section is going to explain three different concepts respectively including globalisation, corporate social responsibility and supply chain management. Then this section will explain how the process of globalisation influences the corporate social responsibility and global supply chains. This section is going to summarise the main motivations of implementing CSR practices in the global supply chains. An interrelated relationship between these concepts will also be identified.

## **Globalisation**

Globalisation has become a common social phenomenon. Hines and Bruce (2007) provide a description of globalisation as 'the ways in which markets have converged throughout the world and the ways in which production poles have shifted geographically to satisfy global consumers'. Levy (1995, p. 353) also presents the definition of globalisation from the economic point of view as 'the increasing internationalisation of the production, distribution and marketing of goods and services'. Some academic researches argue that one motivation of globalisation could be the deliberate political decisions (Scherer & Palazzo, 2009), supported by technological, social and economic

development. The growing cross- area and cross- country transfer of resources in terms of assets, capital as well as knowledge, also foster the progress of globalisation (Scherer & Palazzo, 2009).

Along with globalisation, multilateral agreements and intergovernmental organisations are increasingly developed during the last three decades to regulate and maintain growth, stability and a minimum standard of living in the context of globalisation. The members of these intergovernmental organisations all agree to secure and maintain fair and human working conditions in home countries and countries where they have economic relationships with (Crane, Matten & Spence, 2008). Although there are many agreements, regulations and intergovernmental organisations, in this section is going to discuss three of them which are most related to this study, including International Labour Organisation (ILO), General Agreement on Tariffs and Trade (GATT) and also International Non-Governmental Organisations (NGO). The following portion is going to give a brief introduction and description of these multilateral agreements and intergovernmental organisations, identifying their potential to regulate global standards for all nation states as well as multinational corporations.

## **International Labour Organisation (ILO)**

### **General Agreement on Tariffs and Trade (GATT)**

The General Agreement on Tariffs and Trade (GATT) developed at the end of WWII leads to the breakdown of trade barriers and encourages cross-border trade and investments (Scherer & Palazzo, 2009).

## **International Non-Governmental Organisations (NGO)**

International Non-Governmental Organisations (NGO) are non-official, non-profit, professional organisations with a distinctive legal character, focusing on engaging and maintaining public welfare (Crane, Matten & Spence, 2008; Clarke, 1998). The main public issues NGOs focus on are human rights, gender discrimination, social welfare, working and living conditions, the environmental issues, agricultural development and so on (Clarke, 1998). NGOs play an important role in working with national governments, international organisations as well as multinational corporations by using the net work of members to collect information related to specific issues (Ottaway, 2001). Many multinational corporations increasingly confront with pressures from NGOs, to govern their behaviours based on various international agreements and codes of conduct. However, empirical studies and reviews suggest a link between corporate social responsibility, NGOs, and organisational performance (Doh & Guay, 2004). As long as the multinational corporations believe those codes that NGOs provide could become uniform standard in their industry, they are willing to obey and agree those codes to gain global first mover competitive advantages which could improve efficiency and performance as well as build positive image in the long term. Researches in the role of NGOs in development of global corporate responsibility focus on the increasing growth in NGO influence as well as the involvement of government and corporations (Doh & Guay, 2004).

## **Corporate social responsibility**

### **Definitions of corporate social responsibility**

Corporate social responsibility is a debated subject and study concept in contemporary business and academia. It is also regarded as an important topic for research and worth for study (Burton & Goldsby, 2009). Since the beliefs and cognitions about the relationship between corporations and larger society vary with the relevant issues of the day, there is lack of strong consensus on a definition for CSR. The most commonly cited definition is described by Archie Carroll (1979) as 'the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time'. What's more, Matten and Moon (2004) offer further description of CSR as 'a cluster concept which overlaps with such concepts as business ethics, corporate philanthropy, corporate citizenship, sustainability, and environmental responsibility. It is a dynamic and contestable concept that is embedded in each social, political, economic and institutional context.' (Crane, Matten & Spence, 2008)

Maignan and Ferrell (2004) develop a brief overview of conceptualisation of corporate social responsibility by summarising four different perspectives on CSR.

The first perspective stated by Maignan and Ferrell (2004) is to view CSR as social obligation. Bowen (1953) states that organisations should take social obligations 'to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and

values of society'. What's more, in the later literatures, Carroll (1979) distinguished social responsibility into a pyramid (Shown in the Figure 2.) with four different layers which are economic, legal, ethical and philanthropic responsibilities. Companies should make profit with obeying the law, as well as act ethically in the business activities. Philanthropic responsibility is about corporate actions in response to society's expectations at the same time engaging in promoting goodwill or welfare (Gronvius & Lemborg, 2009; Maas, 2010).

Another perspective of corporate social responsibility is to view as stakeholder obligation (Maignan & Ferrell, 2004). Stakeholder trust has a significant impact on the contribution to the long term success of the corporation. It is important for the organisation to take stakeholders' interests into account. A stakeholder is defined by Freeman (1984: 46) as 'any group or individual who can affect, or is affect by, the achievements of organisation' objectives'. Henriques and Sadorky (1999) identify four main stakeholders of organisations which are 'organisational stakeholders' (including employees, customers, shareholders and suppliers), 'community stakeholders' (including local residents and special interest groups), 'regulatory stakeholders' (such as municipalities, regulatory systems and governments) as well as 'media stakeholders' (Chung, 2005). Basically, the corporation has the responsibility and obligations to meet the rights and interests of all legitimate stakeholders, simultaneously, stakeholders place ethical expectations on business because they have a reciprocal relationship. However, how to balance the competing interests of these stakeholders is a crucial issue to organisations. The corporation has the responsibility for



balancing delicately the multiple claims of conflicting stakeholders. However, the complex stakeholder terms make the decision-making process more complicated. It is also a major CSR challenge that companies could face during managing global supply chains.

The third perspective mentioned by Maignan and Ferrell (2004) is CSR as ethics driven which implies that CSR practices are driven by the self-interests of a company. However, according to Jones (1995), when CSR is viewed as ethical driven, there is a lack of normative criteria to evaluate whether the business practices and activities should be considered as socially responsible. Thus CSR should be viewed as a self-developed regulatory mechanism based on its own interest independent of stakeholder's obligations.

The forth perspective stated by Maignan and Ferrell (2004) is that CSR is managerial processes. Under this perspective, Ackerman (1975) identified three main activities of corporate social responsiveness including 'monitoring and assessing environmental conditions, attending to stakeholder demands, designing plans and policies aimed at enhancing the firm's positive impacts'. What's more Wartick and Cochran (1985) as well as Wood (1991) pointed out that issues management and environmental assessment could contribute to achieve a proactive social responsibility stance.

Figure 2. Carroll's (1991) pyramid of corporate social responsibility

By summarising the literatures of corporate social responsibility, there are two main characteristics of corporate social responsibility (Maas, 2010;

Andersen & Skjoett-Larsen, 2009; Crane, Matten & Spence, 2008). The first <https://assignbuster.com/how-should-they-practice-csr-activities-efficiently-commerce-essay/>

one is the voluntary activities of companies in the realm of social and environmental issues that go beyond the law. Corporate social responsibility offers a more voluntary approach to address the role of corporations in society and manage externalities coherently, comprehensively and professionally. Another core characteristic is the relationship between business and larger society. Corporate social responsibility includes a wider consideration of interests and impacts of different stakeholders rather than just shareholders. The group of stakeholders and interest groups include customers, suppliers, employees, NGOS, the local community representatives, etc. The evaluation of capabilities and competences of companies is not just limited in a matter of making profits.

### **Corporate social responsibility: a global challenge**

In a global context of corporate social responsibility, the literature on the study concept, both academic and practitioner, is wide and considerably large (Crane, Matten & Spence, 2008). Various international institutions have set up guidelines and standards to make sure companies observe certain rules of conducts. Corporations pursue growth and market share through globalisation, they have confronted with several challenges that may limit the ability of gaining potential profits and organisational growth. These challenges may come from government regulations, environmental restrictions, tariffs and trade barriers. Crane, Matten and Spence (2008) conclude three main challenges for CSR in a global context.

The first one is building new social capacities. In a global context of corporate social responsibility, the social meaning and definition differ in different regions of the globe. Thus, managing corporate social responsibility <https://assignbuster.com/how-should-they-practice-csr-activities-efficiently-commerce-essay/>

is not just enforced by the companies themselves and the legal framework issued by national government, it is also essential to consider and acknowledge the specific global standards and regional actual circumstances in which corporations practice and manage CSR. This current issue requires companies establish new roles or even found new operational department beyond their traditional expertise to develop partnerships with NGOs and local governments to address these issues.

The second challenge mentioned by Crane, Matten and Spence (2008) is the involvement in rule-making. Under the nature of global governance, in a certain extent, corporations are involved in setting the rules of trade agreements, standardisation efforts as well as economic agreements. The participation in rule-making process makes corporations become the rule-maker as well as the rule-taker which could better implement and observe the regulations and standards they have agreed upon.

The third challenge for CSR is broader accountability (Crane, Matten & Spence, 2008). The accountabilities of CSR involve human rights, health care and education, global poverty and environmental issues such as global warming. At the global level, the accountabilities of CSR become more complex, broader and delicate. As mentioned above, it cannot merely focus on the local social and environmental issues, corporations also have responsibility and obligation on the countries they have economic relations with.

However, more and more companies see corporate social responsibility as an opportunity rather than a threat in the global context, in order to increase

market share, innovative power and employee motivation as well as cost advantages, Corporate social responsibility in a global context is no longer only on the agenda of large, multinational corporations, some small and medium enterprises which are involved in the network of international suppliers and customers also hold accountable for certain activities within the supply chains (Cramer, 2006).

The way in which CSR is institutionalised, harmonised and practiced in the global context is fluctuating.

Review of different motivations for CSR

## **Supply chain management**

Handfield and Nichols (1999) present a definition and description of supply chain as 'the supply chain encompasses all activities associated with the flow and transformation of goods from the raw material stage through to the end-user, as well as the associated information flows. Material and information flow both up and down the supply chain. Supply chain management (SCM) is the integration of these activities through improved supply chain relationships to achieve a sustainable competitive advantage' (Handfield & Nichols, 1999, p. 2; Cited in ). The supply chain management consists with various interdependent activities from sourcing and purchasing, production, distribution and transportation as well as sales that operate and manufacture in both the developing and developed countries around the globe (Chung, 2005) , as shown in the Figure 3.

Figure 3. Key activities in the supply chain management cycle (Chung, 2005)

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Throughout the 1970s and 1980s, the practice journals in the apparel sector developed the term 'pipeline' to explain the whole process of raw materials through manufacturing processes to the final customer (KSA, 1987; Hunter, 1990; Hunter et al., 1993; Hunter and Valentino, 1995; Hines, 2007). More recently, demand chains and value networks (Hines, 2007) are used to describe supply chains which emphasises the role of customers and adopts the trend of rapid changing customer demands. Figure 4 shows the supply chain process cycles.

Figure 4. Supply chain process cycles (Hines, 2004; Cited in Hines & Bruce, 2007)

There are numbers of different perspectives on the development of the concept of supply chain management. Based on the analysis of Hines (2007), there are mainly four perspectives of managing supply chains. First one is to focus on improving productivity internally of supply chain management. The second perspective extends the first concern with productivity to improve operations. The third wave, which was developed in the transport and distribution literature and now is synthesised in the logistics literature, mainly concerned with moving goods efficiently. The forth and latest perspective emphasises the important role played by customers within the demand chain. The development of supply chain increases the complexity and flexibility requiring organisations to deal with. During the last decades, active responsiveness to the supply chain has is becoming more and more important. Table 1 shows the main shift in analytic focus of supply chain over time (Hines & Bruce, 2007).

Table 1. Analytic focus

**From (pre-1990)**

**To (post-1990 to present)**

Predominantly internal focus

Operations (Internal efficiency)

Exchange/transactional focus

Functional processes (silo mentality?)

Cost efficiency (inputs/outputs)

Physical processes

Product quality (only major concern)

Simple (e. g. dynamic structures and relationships)

Traditional linear supply chains

Inventory management

Predominantly external (dyadic, chain, network)

Strategies (external market orientation)

Relationship/structure focus

Integration

Value added (outputs/inputs)

Financial, informational and virtual processes

Service quality and total quality approaches

Complex structures (e. g. networks)

Digital supply chains (value nets)

Information and customer service

Source: Hines, 2004, Purchasing and supply chain literature from 1930s to present day (Cited in Hines & Bruce, 2007).

Until recently, most of the literatures and practice of supply chain management emphasizes on issues that relate to cost-efficiency of supply chains, relationships with supply chain partners, supply chain strategies, customer services as well as different types of supply chains. However, the increasing sourcing organisational activities and building partnership in developing countries as well as the increasing concern about environmental and social issues has led new social concepts which is normally recognised as sustainable supply chains, aiming at improving and protecting the companies and employees within the supply networks. The focus of sustainable supply is not only on the local optimisation of environmental factors, but also on the consideration of the entire supply chain processes. During the last decade, the study concept of supply chain sustainability has been received great interest in both academia and the practitioners (Hassini, Surti & Searcy, 2012). Since companies are suffering great pressures from various stakeholders, particularly from government regulators, non-

government organisations (NGOs), as well as the global competition, a large  
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number of companies have engaged in the commitment to corporate social responsibility practices. Hassini, Surti and Searcy (2012) provide a definition about sustainable supply chain management by summarising different academic and social concepts including 'business sustainability' (Crane & Matten, 2007) and 'the triple bottom line' (Elkington, 1997), as 'the management of supply chain operations, resources, information, and funds in order to maximise the supply chain profitability while at the same time minimising the environmental impacts and maximising the social well-being'. These definition emphasizes the importance of balancing and satisfying conflicting interests of multiple stakeholders.

By analysing and summaries the literatures on the supply chain management and sustainable supply chains, there is a lack of appropriate and systematic performance measures and framework for supply chains which makes it difficult to evaluating the sustainability initiatives in supply chain management (Lehtinen & Ahola, 2010; Hassini, Surti & Searcy, 2012).

## **The internationalisation of supply chains**

The process of globalisation creates competitive pressures for clothing and textile producers to search for ways to lower production costs, especially for the fast fashion, which is required quick respond to customer demands, high seasonal variation and creative design. Organisations improve and take efficiency measures from internal to a single organisation or network of organisations locked in a continuous supply chain. The second way that organisations to lower their production costs is to search lower cost sources of supply throughout the globe in order to find locations where conditions are



more favourable than in the home market (Hines and Bruce, 2007). This process will create the global supply chains.

Under conditions of globalisation, products are no longer manufactured and produced in just one country, but designed and produced in different production sites in various locations around the world which is a result of global investment (Homann, Koslowski & Luetge, 2007). Globalisation has two facets which are globalisation of production and globalisation of markets, which means globalisation is present at the production stage as well as the retail stage. Primary products are increasingly manufactured in different production sites around the globe to benefit from lower labour costs, raw materials as well as the lower cost of transportation, which could increase the degree of division of labour. Homann, Koslowski and Luetge (2007) illustrate that division of labour could take place when manufacturers of primary products at different locations. Globalisation accelerates the process of international division of labour both in vertical integration and in the supply chain.

Apparel manufacture is one of the areas that globalisation has offered significant cost reduction opportunities, due to high labour content and cost-effective to transport. As a result of globalisation, both multinational companies and local manufacturers in the apparel industry have benefited tremendously from cost reduction. Based on the statement of Cramer (2006), the globalisation of supply chains has led to heavy social criticism, especially when companies using child labour or working in countries that violate fundamental human rights, which damages companies' reputation.

During the last decade, one of the key business trends resulted by <https://assignbuster.com/how-should-they-practice-csr-activities-efficiently-commerce-essay/>

globalisation is the outsourcing key business and operation activities to suppliers and subcontractors. Based on the description of GEMI (2001), this trend has made 'certain suppliers more critical, extends liability throughout the lifecycle, and the result is a significant shift of corporate environmental, health and safety risks and opportunities off site... As a consequence, some of those business risks and opportunities may become Procurement's responsibility' (Cited in Roberts, 2003)

Based on the statement of Dicken (1998, p. 283), the textiles and clothing industries are the first manufacturing industries which are shifted by globalisation. The phenomenon of globalisation has shaped the structure, strategies and consequences in the textile and clothing industries. Global shifts in these industries also increase the trade tensions between developed and developing world (Hines & Bruce, 2007). During the last three decades, many corporations restructure organisations and outsource many functional and traditional activities to the companies in the developing countries. Efficient and effective supply chains are essential to manage customer demand and brand operations, especially for the high-changeable fashion and apparel industry. The reasons that organisations pay attention on the supply chain management are due to the trend of globalisation, the reducing time of pushing into the market, as well as the rising standard of customer demands. Globalization has significantly changed the international market. Traditional supply chain is moving to the direction of the development of the globally integrated supply chain, becoming a cross-functional and cross-regional supply chain. Sustainable supply chain management plays an important role in maintaining brand integrity, ensuring business continuity

and controlling operating costs. The main purpose to promote sustainable supply chain is to build long-term environmental, social and economic value. By continuing construction of the supply chain, companies could protect their long-term capabilities. The process of globalisation is one major reason of increasing reliance of corporations on suppliers and sub-suppliers (Welford, 2002). Thus the supply chain is more and more complex and international. This is what makes global supply chains within fashion markets and fashion marketing worth to study.

The traditional supply chain management (SCM) is the process of the business operations in terms of supply chain planning, execution and control in order to maximise its efficiency. In general, the whole process of supply chain management could range from raw material acquisition, components, manufacture, logistics, quality services to pre-retail services including labelling and packaging (Hines & Bruce, 2007). In order to reduce costs and improve efficiency, most of modern multinational corporations choose supply chain outsourcing services, namely, as the identity of the buyers chooses the most cost-effective suppliers (including foundries and logistics companies, etc.) to complete their production as well as enhance the marginal benefit. However, to maximise the efficiency as a prerequisite, the traditional supply chain management ignores the social and environmental factors, and therefore in the past decades, corporate social responsibility in supply chain management became a new management philosophy in many organisations. Therefore how to better manage the supply chain performance and enhance their capacity is very worthy of study.

Many well-known multinational enterprises, taking the cost of production into account, come to the Asian countries like China, India, etc., to corporate with local companies to manufacture their products. Since the majority of suppliers in developing countries are labour-intensive enterprises, and the relevant enforcement of laws and regulations needs to be improved, therefore working conditions are unsatisfactory. Frequent overtime, unpaid wages, under minimum wage standard happen consistently. Along with media exposure and NGO's fierce criticism of "sweatshops" in especially Europe and the United States as well as other countries, multinational enterprises are beginning to require suppliers to comply with the Code of Conduct (CoC) and the relevant laws and regulations in the location of the suppliers (environmental protection law, labour law, etc.) to conduct the labour and environmental requirements and policies. Subsequently a lot of industrial standards, such as the garment industry, WRAP, EICC of electronic industry, the ICTI of the toy industry, and chemical industry's Responsible Care. In order to ensure the performance of suppliers in terms of labour and environment performance, internal staff or third-party would be sent to the supplier factories for review and evaluation. If the quality and feature of products are dissatisfaction, the suppliers will be asked to provide assistance to make improvements or even cancel the order.

### **Corporate social responsibility in supply chain management**

For suppliers, the meaning and definition of CSR is relatively narrow, is merely about how to meet customers' needs, achieve social and environmental compliance, such as timely payment of wages, make sure working hours, in order to maintain operational order and ensure efficiency

and effectiveness. CSR for the majority of suppliers is only about law-abiding, however, they do not properly understand the benefits of the implementation of CSR, and thus they just implement the so-called CSR improvement involuntarily.

Despite the long history of CSR, applications of CSR concepts to supply chain management have only emerged in the last few years. Sustainable supply chain management is about management of supply chains where all the three dimensions of sustainability, in terms of the economic, environmental and social sustainability, are taken into account. Supply chain relationships have a critical impact in a global world. In order to advantage from low labour wages, more and more companies frequently outsource part of or even whole business activities to companies in developing countries. When sustainable SCM principles are adopted, the companies are accountable for the social and environmental impacts along the supply chain, and are compelled to integrate ecological and social aspects into their decisions and actions along their supply chains. When supply chain relationships involve developing countries, companies also need to take responsibility for the well-being and performance of small upstream producers that work in those countries. The Figure 5 shows some CSR issues that companies may confront with in managing their global supply chains.

Figure 5. Examples of CSR issues in supply chains (Neergaard and Pedersen, 2005, p. 103; Cited in Pedersen & Andersen, 2006)

Therefore, helping supplier social responsibility should focus on how to make suppliers understand the business value of CSR, how to reflect the return on invest