

CORPORATE SOCIAL RESPONSIBILITY IN SUPPLY CHAIN

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Abstract

The aim of the paper is to present a concept of Corporate Social Responsibility (hereafter, CSR) in supply chain. We discuss the idea of CSR and present examples of practices towards CSR based on enterprises gathered in some supply chains. As we can see, in today's business world, growing attention is being paid on the business concept Corporate Social Responsibility, mostly because of environmental concerns, regulatory impacts, commercial benefits and reputation in front of the society. Increasing number of companies initiates and implements practices considered as CSR activities. The concept of CSR is very important from perspective of sustainable supply chain.

Keywords: CSR, Corporate Social Responsibility, supply chain, sustainable, sustainability

1. INTRODUCTION

Supply chains especially global supply chains are complex and often not very transparent, making it an ideal starting point for companies to improve their social responsibility. Most of contemporary enterprises gathered in supply chains display an increasing interest in the ethical conduct of business. By bringing ethics into supply chains, enterprises are able to create benefits for the public, improve their image and help to eradicate negative behaviours. In the context of sustainable economic development, the concept of corporate social responsibility CSR (related to the ISO 26000 standard) gains significance [1-4].

So far, social or ecological values have not been deemed to constitute a fundamental aspect of supply chains. This changes with the introduction of the so-called triple bottom line (TBL), an approach that balances economy, environment and society, embodying the idea of sustainable development. The aim of TBL is to support business solutions which are simultaneously socially responsible, environmentally friendly and economically valuable. The environmental and social outcomes are treated on an equal footing with the financial outcomes. The three together make up shared value. In this respect, the concept of creating shared value (CSV), proposed in 2011 by M. Porter and M. Kramer in Harvard Business Review [5], is of great significance.

Corporate Social Responsibility in general, and sustainable supply chain management in particular, have been a growing interest for companies and researchers over the past two decades [4]. The applications of CSR and sustainability concepts to supply chain have predominantly concerned the environmental issues. Most of the existing studies examine specific sustainable supply chain segments: purchasing and inbound logistics, production and manufacturing, or distribution and outbound logistics. Indeed, while the social and the environmental issues are clearly associated in the sustainable supply chain definition, a recent comprehensive literature review [4] revealed a clear deficit on the social dimension in sustainable supply chain research papers.

The research contributes to the development of the theory on sustainability supply chain from CSR perspectives. The study analyzed benefits that are obtained from the practices of CSR. We analyzed the theory of sustainability and CSR its implications in the efficiency of the supply chain on innovation and business results.

2. CSR AND SUSTAINABILITY CONCEPT IN SCM

Sustainability in supply chain can be viewed as having three parts: environmental, economic and social [6]. In practice it means the management of environmental, social and economic impacts, and the encouragement of good governance practices, throughout the lifecycles of goods and services. Sustainability is an increasingly important requirement for supply chain management. As a consequence, achieving sustainability in supply chain requires an integrated approach and multi-dimensional indicators that link a community's economy, environment and society in enterprises gathered in a given supply chain. Considering the challenges of contemporary enterprises and the supply chains from the perspective of sustainability and socially responsible expectations, the capability of entrepreneurs and supply chains to meet the demands of respecting the interests of different groups of stakeholders is of particular significance. This follows from the stakeholder theory, according to which an enterprise and supply chains has many stakeholders, who are instrumental in attaining its specific goals (**Figure 1**). The objective of supply chain sustainable is to create, protect, and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market by enterprises gathered in a given supply chain [7]. Employing sustainable and CSR in supply chain benefits relationships with business associates, clients and the community.

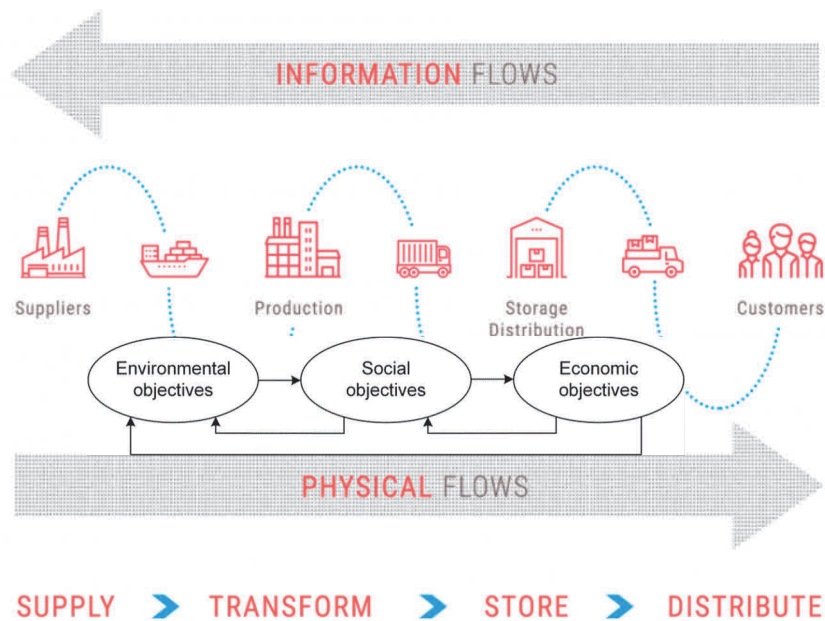


Figure 1 Interdependence between the implementation of sustainable development objectives and CSR in supply chain

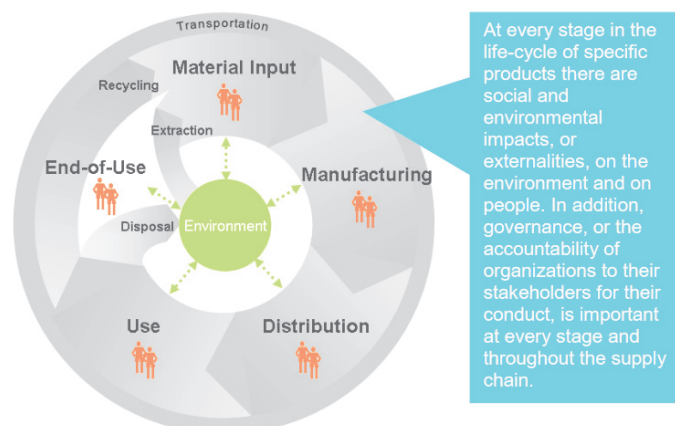


Figure 2 Environmental, social, and governance impacts in the supply chain [7]

As we can observe the contemporary supply chains implement in their practice respectively concept of sustainability and corporate social responsibility (**Figure 2**). It is importance from the perspectives of the environment, health, safety and stakeholders of supply chains. At its core, sustainable development is the view that social, economic and environmental concerns should be addressed simultaneously and holistically in the development process of supply chain.

According to the literature [8-13] CSR in supply chain can be viewed as a philosophy in which corporate behavior must be seen as seamless and as a strategy for cooperation and survival. There are many different considerations and definitions of what is meant by CSR. No single definition or consideration has been fully accepted internationally. For example Friedman (1962) defines CSR as an instrument that helps businesses of all sizes reconcile economic, social and environmental objectives [14]. The literature shows that the implications of CSR in supply chain management SCM are limited and additionally do not consider the point of view of integrated management. In most cases, studies are focused on particular areas within the supply chain and these are treated independently. Analyzed problems are respectively: environmental aspects in SCM [15-17] reverse logistics [18], ethical aspects [19-21], human rights aspects [21]. A fragmented analysis does not provide an answer to the question of how any company can effectively position the global role of CSR within the supply chain management [19].

CSR began to be recognized as a new strategic activity that may become a source of competitive advantage for the companies [20]. It is recognized as a core business activity, which suggests that social responsibility is an important area, especially from the point of view of globalized supply chains [13,22]. The main functions and responsibilities of the supply chain management are environmental performance, controlling the quality of goods and services (supplies) of suppliers, and regulating delivery times and improving the quality of the products offered by the company [4, 23]. With the globalization of markets, large corporations have adopted ISO certifications in their processes to meet their social obligations, considering the demands of the market and complying with environmental standards [24].

In this field of research, some experts have agreed that CSR and the efficient management of the supply chain generate significant quantitative and qualitative benefits for businesses [25]. These business sustainability practices seek shared benefits, such as the social and economic development of the regions, an increase in the quality of life, the professional development of employees, an increase in the satisfaction of clients and investors, and the strengthening of their image and business reputation [26,27].

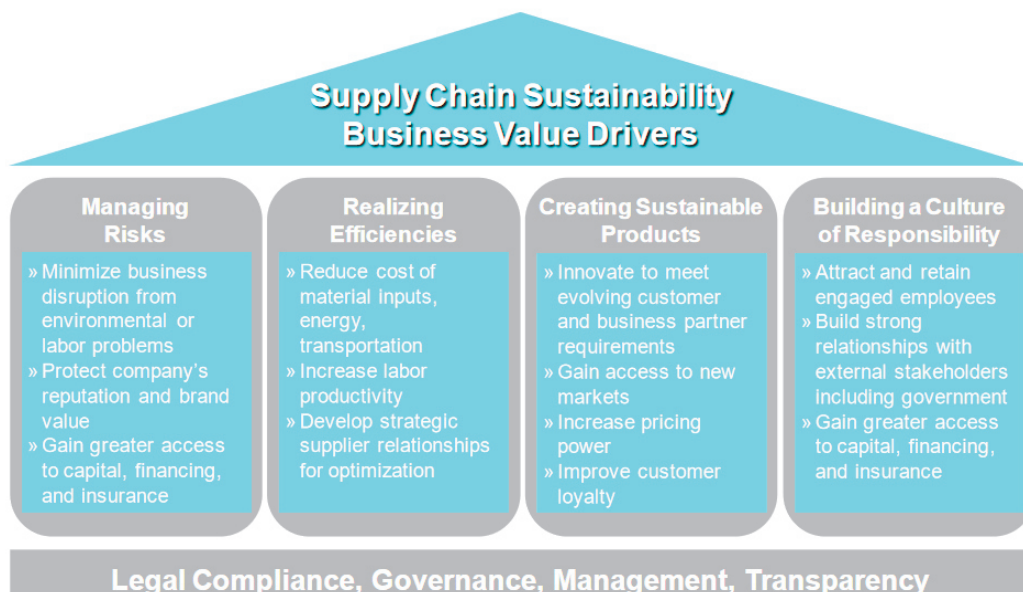


Figure 3 Building the Case for Supply Chain Sustainability [BSR, 2010]

We emphasize that the business case for supply chain sustainability for a particular company depends on a variety of issues including industry sector, region of operation, stakeholder expectations, business strategy, organizational culture, and past performance. In general though, there are a number of opportunities to use supply chain sustainability activities to enhance business value [28]. While not mutually exclusive, the most commonly cited business value drivers impacted by supply chain sustainability are depicted in **Figure 3 (BSR, 2010)**.

Researches and practices demonstrate an increasing number of enterprises implement CSR into their managerial practice. It seems that the adoption of sustainable and CSR practices in supply chain is becoming the norm. Not only large enterprises but also small and medium-sized enterprises, which have a major impact on the development of neighborhoods and communities, display the need to apply CSR as well. Enterprises engage with CSR and the majority of businesses have policies in place to prevent slavery in the supply chain, lower carbon footprint and promote sustainable sourcing. The proper implementation of CSR policies, enterprises gathered in supply chain need to have a 360 degree view of the network through the multiple enterprises involved in the given supply chain. Visibility and transparency are key of the efficient of CSR implementation in the supply chains. Companies in supply chain are expected to be able to track the carbon footprint not only of their own manufacturing activities, but also their transportation, distribution and procurement activities, while monitoring the related activities of their extended supply chains as well.

Below we present practices of chosen companies in supply chain according to CSR. For example, Unilever elected to move away from its policy of outsourcing logistics, and brought it in-house, working on the premise that it has the internal capability, and scale, to improve supply chain service costs, reduce carbon emissions and relieve Europe's roads of one truck in five.

Another practice of CSR concerns DENSO Group and ITOCHU. These companies promote CSR through their business activities, with the aim of achieving a sustainable society. DENSO Group has developed various sustainability-related tools, including the supplier sustainability guidelines, in order to efficiently promote sustainability together with its suppliers. ITOCHU keeps working to manage its supply chains in consideration to the social or environmental impact of a variety of products and services handled. ITOCHU has established the CSR action guidelines for supply chains to explain its position to suppliers, and expects and encourages their understanding and implementation of every item mentioned below:

- 1) Suppliers shall respect the human rights of employees, and never treat employees in an inhumane manner.
- 2) Suppliers shall prevent forced labor or child labor.
- 3) Suppliers shall not practice discrimination in hiring and employment.
- 4) Suppliers shall prevent unfair low-wage labor.
- 5) Suppliers shall respect the rights of employees to organize, for smooth negotiation between labor and management.
- 6) Suppliers shall strive to provide employees with a safe and healthy work environment.
- 7) In the course of their business activities, suppliers shall duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.
- 8) Suppliers shall observe all related laws and international rules, and ensure fair transactions and prevent corruption.
- 9) Suppliers shall disclose information regarding the above items in a timely and appropriate manner.

As we can observe buyers are often those that engage with CSR the most and the majority of businesses have policies in place to prevent slavery in the supply chain, lower carbon footprint and promote sustainable sourcing.

CONCLUSION

Enterprises benefit from sustainability which enables to transform them into self-sustained business vehicles operating with minimum negative impact on the operational environment. The progress in sustainability often derives from concrete innovative sustainable solutions which may include new marketing methods, organizational methods, products (goods or services) and processes. More specifically, making supply chain sustainable requires balancing and integrating economic and environmental societal objectives, supportive policies and practices. Appropriate trade-offs are often necessary, given the diverse interests of enterprises gathered in the supply chain and their society.

Corporate social responsibility in supply chains means that enterprises gathered in supply chains especially protect natural environment and contribute to social well-being in a tangible way. By bringing ethics into supply chain, companies are able to create benefits for the public, improve their image and help to eradicate negative behaviours. Responsible supply chain management concerns cooperation with your suppliers to ensure that they have CSR strategies and to create ongoing improvements in suppliers' CSR performance. It is especially important to focus on high-risk suppliers, for example from industries that are known to face particular challenges, or from countries where national legislation and internationally recognised principles for human rights and labour rights, the environment and anti-corruption, are not fully respected.

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