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*Fu-Bin PAN*

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# **Analysis on Management Measures of Corporate Social Responsibility of Supply Chain**

Fu-Bin PAN<sup>1</sup>

## **Abstract**

This paper first clarifies the necessity for the management of corporate social responsibility (CSR) in the supply chain. Then the researchers discuss the characteristics of CSR management from aspects including core enterprise's status, transitivity of CSR, asymmetry of economic benefits, and passing of risk. The researcher also analyzes the problems in CSR management, such as lack of system constraints regulations, imbalance of enterprise strength, and CSR management in the supply chain is often a formality. Finally, the researcher proposes specific solutions, that is to improve policies and regulations, perfect supervision system, let third party take a full part, core enterprise undertake major social responsibility, and retrofit CSR management methods.

*Keywords:* Corporate Social Responsibility, supply chain, core enterprise.

## **Introduction**

Corporate Social Responsibility (CSR) means that in addition to profit creation and its responsibility for shareholders, an enterprise shall also meet the demand of communities, employees, consumers, the environment and other stakeholders in order to achieve long-term business strategy (Wu, 2012). Supply chain is an integral function network chain structure consisting of suppliers, manufacturers, distributors, retailers and end-users (Ma and Lin 2015); the network will transform raw materials to intermediate or final products and distribute them to the consumers through selling network. Since H.R. Bowen first proposed the concept of CSR in 1953, the discussion on CSR has always been a hot topic in the society. In research on supply chain CSR, scholars have paid more attention to the impact of introduction of CSR on the supply chain enterprises (Wu, 2013). Poist (1989), the

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<sup>1</sup> School of Management, Xiamen University of Technology, Xiamen, CHINA. E-mail: 475591423@qq.com

first scholar proposing the concept of supply chain CSR, believed that social responsibility shall be included as one of the driving factors of traditional economic interests of the supply chain. Carter and Jennings (2002) had studied the importance of CSR in the supply chain decision making and relationships between the supply chain and social responsibility based on some cases. Fabian (2000) pointed out that at any stage of the supply chain development, lack of CSR will surely damage the most important asset of the company- the reputation. The enterprise shall constantly deepen and expand its socially responsible behavior, including social responsibility management for its partners (Kolk & Tulder 2002). Good CSR can not only promote a healthy business competition within the supply chain, but also can effectively reduce waste and waste emissions, improve cost performance, promote technological innovation, improve social identity and improve customer satisfaction (Simpson & Power 2005). Cruz (2010) has studied the dynamic supply chain network under CSR environment. Che-Fu Hsueh and Mei-Shiang Chang have studied the CSR-based netlike supply chain consisting of manufacturers, distributors and retailers and built a CSR collaboration-based competition strategy model for the manufacturers that makes the optimal solution of the system at a steady state (Hsueh & Chang 2008). With the development of economic globalization, competitiveness of an enterprise depends more on the competitiveness of its entries supply chain. In May 2014, the Global Reporting Initiative (Global Reporting Initiative, GRI) released CSR Reporting Framework-Edition 4 (GRI-G4), which added supply chain management and other indicators to the content of the CSR Report, showing that the research on CSR shall be also extended to the entire supply chain system. Therefore, research on problems and countermeasures of social responsibility management based on the supply chain not only has theoretical significance, but also has practical significance.

### **The Necessity of CSR Management in Supply Chain**

*Strengthening CSR management is an effective means to enhance the competitiveness of the supply chain.* Market behavior of any enterprise in the supply chain may objectively affect the brand image and interests of all enterprises in the entire supply chain. Therefore, to ensure production safety and quality, the enterprise shall work together with the suppliers, distributors and other node enterprises to fulfill their social responsibilities or supervise performance of such node enterprises in fulfilling their corporate social responsibilities. In addition, the core enterprises in the supply chain can make appropriate requirements for the social responsibility of the suppliers and the distributors, etc., so as to strengthen the control force of the suppliers, the distributors and other node enterprises.

*Supply chain management and CSR promote each other.* Based on fulfillment of CSR through supply chain management, coordination effect between

enterprises can reduce the cost of fulfilling CSR and improve the practical level of social responsibility. On the contrary, introduction of CSR into the enterprise's supply chain management will contribute to establishing and enhancing mutual trust among the node enterprises in the supply chain, reducing risks in supply chain management, promoting establishment of a common value in the supply chain and establishing a long-term strategic partnership with the partners.

*Corporate collaboration can promote CSR fulfillment of the supply chain.* On the one hand, in a certain supply chain system, the behavior of each node enterprise will affect the level of social responsibility of the entire supply chain, therefore, all enterprises shall cooperate with each other to fulfill their social responsibilities. On the other hand, all node enterprises in the supply chain may have different scales, strengths and influences, so they will have different understanding and practical level of social responsibility; in order to improve the practical level of social responsibility of the entire supply chain, all node enterprises shall support and cooperate with each other.

### **Features of CSR Management in Supply Chain**

*Core enterprises are in a dominant position in social responsibility management in the supply chain.* The core enterprises shall establish the CSR rules that all enterprises in the entire supply chain need to comply with. Core enterprises in the supply chain dominate the entire chain and will organize, coordinate and control the affairs of the entire supply chain. They manage and distribute core market resources of the entire supply chain, having the largest contribution to and the largest influence on the supply chain. The core enterprises, by establishing CSR rules, forcibly request their partners to meet the requirements of the rules in order to become a member of the supply chain; they also ensure that the node enterprises fulfill their CSR through strict factory inspection, audit and certification, etc., and assess their partners according to the rules. The baseline of CSR of the supply chain is directly related with the market behavior of the core enterprises. In the supply chain, dominance of the core enterprises in proposal of any kind of new product and services, etc., will not only concern labor costs, quantity and quality, and also concern the need for the required resources and discharge and recovery of wastes; at the same time, quality of the product and services is also directly related to the vital interests of the consumers.

*The social responsibilities the enterprises in the supply chain undertake and the economic benefits they get are unsymmetrical.* At normal circumstances, the enterprises at the beginning and ending part of the supply chain will undertake the least social responsibilities and get the most benefits; while the enterprises in the middle part will often undertake the most responsibilities and get the least benefits.

*Transformation of international economic pattern leads to the transfer of CSR risks.* Each country and region have different laws and conduct standards, for example, the standards of developed countries for CSR are much higher than that of developing countries. In the international industrial transformation, in order to get the maximum benefits, the enterprises have constantly transferred the manufacturing sectors with high labor costs and serious environment pollution to the developing countries to circumvent their national laws and public pressure.

*Social responsibility of the enterprises in the supply chain has transitivity and traceability.* Fulfillment of CSR can enhance healthy competition among enterprises, optimize supply chain system and make the structures of the enterprises in the supply chain more reasonable. At the same time, lack of social responsibility of any node in the supply chain will cause that the market behaviors of all members in the supply chain are investigated and claimed by the government, media and the public.

*Performance of any enterprise in the supply chain in its social responsibility will affect the entire supply chain.* The behavior of any node enterprise in the supply chain will objectively affect the brand image and benefits of all enterprises in the supply chain and the contribution of the node enterprise to social responsibility will benefit the entire supply chain. Otherwise, it will damage the entire chain. Therefore, to select a partner for the supply chain, it is necessary to consider the partner's fulfillment of its social responsibility in past years and assess its ability to fulfill the social responsibility in future (Rong & Zhan 2008).

### **Problems in Social Responsibility Management of Supply Chain**

*Lack of rules and systems for systematic constraints of CSR of the supply chain.* Particularly in developing countries, generally there are no laws specially formulated for CSR and the regulations related to CSR are usually scattered in labor law, environmental protection law, consumer protection law and other laws and regulations. In order to attract and retain foreign investments and improve performance, many local governments blindly introduce some industries destroying the environment and consuming large amount of resources and ignore the negative social responsibilities of the transnational enterprises. These behaviors mainly result from incomplete and imperfect supervision system and monitoring means of the government for social responsibility and out-of-date standards of various indicators. Now in many industries, developed countries have established a much higher social responsibility standard in labor standard, environmental protection standard, quality standard and other aspects than that of developing countries.

*Unbalanced strength of the enterprises in the supply chain is not conducive to fulfillment of the social responsibility.* The stronger the strength of the enterprise is, the greater its control ability is, and otherwise, the weaker its control ability is. In the supply chain, the core enterprises are mostly transnational enterprises, controlling the entire supply chain with various unbalanced structures in the market and mastering the supreme speaking right. Unbalanced distribution factors in the price system of the supply chain directly because unbalanced distribution of benefits among the enterprises in the supply chain, which is a great barrier to the node enterprises in fulfilling their social responsibility. On the one hand, the manufacturers and other node enterprises produce products in order to supply the products to the core enterprises timely; on the other hand, they improve the condition of CSR according to the social responsibility rules established by the core enterprises, which greatly increases their production costs. In addition, node enterprises in the supply chain are under different social environments, so they have different understanding of CSR, which makes it more difficult for the entire supply chain to reach an agreement on the CSR.

*CSR management in the supply chain is formalistic.* Audit, factory inspection and certification are all an popular mode used by the enterprises in the supply chain to fulfill their social responsibility, but results of such management modes are often distorted. And excessively frequent audit, factory inspection and certification bring an additional burden to both sides. On the one hand, the transnational enterprises implement the CSR of the supply chain under the pressure of the society, but their final target is still to maximize their profits, having no care about the costs the suppliers will pay and insufficient encouragement and support for the suppliers. On the other hand, in order to get orders, the suppliers forcibly implement the CSR rules of the transnational enterprises. Their behaviors are often formalistic and are made only based on the minimum standards, having no substantive ideas to solve the CSR and finally deviating from their original intention to fulfill the social responsibility in the supply chain. Therefore, we often see many suppliers make fraud or even bribe the auditors in order to cope with the audit.

### **Analysis on Countermeasures of CSR Management of Supply Chain**

*Improve government polices & regulations and supervision system.* Soundness of government polices & regulations and supervision system are closely related with whether the enterprises undertake social responsibility and how the enterprises undertake the social responsibility, appropriate system restraints can ensure that the enterprises make social responsibility after weighing legal systems. It is necessary to establish a set of systematic and operable legal system of CSR and the system shall fully consider the development condition the country faces and

the position of the country in the international supply chain and include the market behavior of foreign funded enterprises in the supply chain into the management of the system based on actual conditions of the country. At the same time, it is also necessary to strengthen supervision, establish reward and penalty mechanism, widely advocate CSR and enhance self-rule awareness of the enterprises.

*Strengthen the role of a third-party organization in fulfillment of CSR of the supply chain.* NGO, media and other third-party organizations shall play an active role in public opinion guidance and supervision and work with universities, trade associations, trade unions and other relevant organizations to make extensive cooperation, promote the standardization of corporate social activities and improve social responsibility level of the supply chain. Development stage of the enterprises is related with the enterprises' fulfillment of their social responsibility. Most enterprises in developing countries are still at the development stage to maximize their own benefits; therefore, NGO and media shall positively engage in and guide CSR. And the government can also organize the experts of consumer associations, trade unions and other industry associations and social groups to carry out a research on CSR of the supply chain and develop a set of enterprise self-regulation standards in line with national conditions and a set of CSR rules and standards for the supply chain as a third-party assessment standard.

*Improve the management measures for social responsibility of the supply chain.* First, the development and implementation of audit, factory inspection, certification and other measures. The front-line workers are best qualified to speak on whether the suppliers have met the social responsibility standard established by the core enterprises, therefore, participation of workers shall be enhanced in development and implementation of these measures, which is conducive to improving credibility of audit, factory inspection, certification and other measures. Second, it is also necessary to strengthen professional training of audit, factory inspection, certification and other relevant personnel, in which both morality and technologies shall be taken into account. In addition, selling price of the products shall truly reflect the costs the suppliers spend in fulfilling social responsibility. The enterprises dominating the supply chain shall share with the suppliers the economic costs used to improve production procedures and improve working environment of workers, etc.

*Core enterprises shall undertake major social responsibilities.* Core enterprises play a leading role in the supply chain and shall take the initiative to coordinate the relationship between the suppliers and the partners and reduce the CSR risk in the supply chain. First, the core enterprises shall coordinate the benefits and costs of each node in the supply chain. We can often see the core enterprises pay more attention to protection of consumers' interests, low-carbon economy, environmental protection, poverty alleviation, personnel training and other social responsibilities, however, in order to maximize the profits, the profits of the suppliers

and the partners in the supply chain are usually reduced, which thereby increase the CSR risks in the entire supply chain. The core enterprises can properly share some operating and production costs in the way of encouragement and promotion way, which is also a manifestation of CSR and can enhance the consumers' acceptance of the core enterprises, conducive to improving market share of the enterprise products. Second, the core enterprises can organize training, instruction and other activities for the suppliers to improve the social responsibility level of the entire supply chain. Second, the enterprises train or instruct the enterprises in the supply chain based on the pursuit of overall competitiveness to help the suppliers grow and let the enterprises in the supply chain fulfill social responsibility like the core enterprises and thus make the concept of CSR run through the entire supply chain and achieve a win-win situation. In addition, the core enterprises shall also choose the best partners. Development and implementation of supply chain-based strategic partnership with other enterprises means mutual design of new products, development of new technologies, information exchange, market opportunity sharing and taking, etc. A good supplier can reduce the potential risks of the supply chain in social responsibility.

*The enterprises of different sizes will implement different CSR management systems.* (1) Small-sized enterprises. It is very important to let the enterprises survive and create social value in the fierce competition. It has been very difficult for some newly established small-sized enterprises to survive in competition, so no excessive social responsibility requirements shall be proposed for this type of enterprises and their major tasks are to survive in a legal way, without damages to the benefits of the consumers and the workers. After all, it is difficult for an enterprise earning no profits to take the social responsibility (Yang, 2010); (2) Medium-sized enterprise. Relative to small-sized enterprises, medium-sized enterprises are relatively stable in consumers and funds, etc. and they undertake more social responsibilities in the supply chain correspondingly, including conservation of resources, wages and benefits of workers, support for disadvantaged groups, increase of workforce and other social responsibilities. In addition, medium-sized enterprises have a certain scale and a certain influence on the local areas, therefore, it is very important to keep the stability of the enterprises and their stability is conducive to local employment and social stability and can ensure the stability of the supply chain; (3) Large enterprise. When a medium-sized enterprise grows to a large one, it will have more human, financial and material resources to contribute to the society. At this stage, in addition to corresponding social responsibilities, the enterprise shall also assume charity and social responsibility, etc. Some large enterprises may take the initiative to donate money to the disaster-affected areas, visit the affected areas and contribute to reconstruction of their homes when natural disasters happen in some areas; and some other large enterprises take the initiative to help their workers arrange child education and life in order to allow their workers work at ease; of course, low-carbon emission and environmental



protection are also very important, and for large enterprises, their supply chain has many complex nodes and waste or pollution at any link may cause massive waste or pollution to the entire supply chain. Therefore, large enterprises shall take the way of environmental protection and energy conservation in running the supply chain.

The research results show large and medium-sized enterprises are more likely to implement CSR activities in the supply chain, because the enterprises at this stage have more capacity to bargain with the core enterprises, in this way they can implement CSR standards in the supply chain more easily.

### **Conclusion**

CSR management of the supply chain is a social problem and gets more and more attention by the society. And it is also directly related to the competitiveness of the supply chain. The products and services provided by the supply chain with a sound CSR management will be surely accepted by the consumers. CSR management of the supply chain is also a system problem, only relevant government departments, industrial associations, social organizations, core enterprises and all node enterprises, media and other organizations in the supply chain perform their own functions, can the CSR management of the supply chain develop rapidly and healthily. In future studies, corresponding problems and measures of CSR management can be studied according to different industries, different development stages and different supply chain modes. And it is also necessary to analyze the factors influencing the performance of CSR and the influence of different performances of CSR on enterprise performance based on running mode and features of the supply chain and put forward the specific measures for promoting CSR of the supply chain based on the influencing factors.

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