Socially responsible supplier development: Construct development and measurement validation

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ABSTRACT

Chinese manufacturing has recently been plagued by a raft of product safety problems such as melamine-tainted milk, lead-tainted toys, toxic toothpaste, defective tyres, and fake medicines. A probable cause of these incidents is a lack of business ethics in the suppliers concerned. In the literature much has been suggested on the use of corporate social responsibility (CSR) to improve firms’ ethical behaviors and on the use of supplier development (SD) to improve suppliers’ capabilities. This research integrates the literature on CSR and SD to develop a new approach, called socially responsible supplier development (SRSD), to address suppliers’ ethical problems. SRSD suggests leveraging a buying firm’s concerted supplier development efforts to improve its important suppliers’ capabilities in CSR implementation. We develop and validate scales for measuring SRSD practices. In addition, we provide empirical evidence on the validity of existing CSR scales for Chinese manufacturing firms. Our results are based on analysis of the data of 160 pairs of buyer–supplier relationships in four manufacturing industries in China. The results indicate that all the scale items possess adequate reliability and validity to reflect SRSD and CSR. We also discuss the implications of our findings for research and practice.

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1. Introduction

Although many researchers have strongly advocated that any manufacturing organization should develop in sustainable ways that satisfy the needs of multiple stakeholders and create values through environmental and social performance (Ciliberti et al., 2008; Vachona and Klassen, 2008; Pagell and Gobeli, 2009), many manufacturers are still severely affected by unethical behaviors that occur in their manufacturing processes and supply chains. For instance, a pet food manufacturer, Menu Foods, paid a $24 million settlement to customers in 2008 because its Chinese suppliers intentionally spiked the gluten with melamine to pass chemical inspection (Tybout and Roehm, 2009). Unfortunately, melamine was used not only in pet food, but also in milk products for humans. The melamine-tainted milk manufactured in China caused nearly 300,000 people to fall sick and several deaths of infants (DeLaurentis, 2009). The dairy products of 21 manufacturers including such major players as Mengniu, Yili, and Sanlu were also found contaminated. The scandal spread into a global concern with recalls, bans, or warnings of contaminated food being reported in Europe, the USA, and Asia (BBC, 2010; DeLaurentis, 2009). Investigations revealed that the problems were caused by suppliers. They are farms or similar businesses, which added melamine to diluted milk to boost the apparent presence of protein in the milk (Ma, 2009; Fairclough, 2008). In addition to food-related organizations, Mattel, a toy company, recalled approximately 14 million toys because of their excessive levels of lead or the presence of small detachable magnets that can be swallowed. This scandal resulted in Mattel facing numerous lawsuits and suffering severe reputation damage (Gilbert and Wisner, 2010). Similarly, it is not Mattel but its suppliers that produce the defective toys. There are other similar supplier-related ethical problems such as toxic toothpaste, defective tyres, and fake medicines (Ip, 2009; Lu, 2009) and strong public criticisms of Nike, Adidas, and Sainsbury for their failure in controlling labor abuses in their suppliers (Barton, 2007; Yu, 2008; Emmelhainz and Adams, 1999).

These supplier-related ethical problems and their consequences imply that buying firms need to recognize suppliers’ ethical problems as a strategically important concern. In the management literature, concerns for managing ethics in organizations typically refer to the approach of corporate social responsibility (CSR). One common perspective to understand CSR is to use stakeholder theory to conceptualize CSR as the extent to which businesses assume the economic, legal, ethical, and discretionary responsibilities imposed on them by their various stakeholders (Maignan et al., 1999). The
The importance of sustainability, ethics, and CSR has attracted increasing attention of operations and supply management researchers. For instance, Ciliberti et al. (2008) link the adoption of CSR practices to logistics management by developing a framework of “Logistics Social Responsibility” to address various sustainable supply chain management issues. Kleindorfer et al. (2005) conduct a review of the OM literature and offer insights on future sustainability challenges facing OM researchers and practitioners. Other researchers have pointed out that the sustainable development of organizations can be influenced by OM concepts such as product design, by-product management, product life extension, recovery processes, reverse logistics, and logistics network design (e.g., Matos and Hall, 2007; Kocabasoglu et al., 2007; Zhu et al., 2008). In addition, some traditional OM quantitative methods have been employed to examine sustainability problems such as determining the optimal CSR resource allocation for achieving maximum net returns and minimum emissions (Cruz and Winkelbinger, 2008). Nonetheless, because of increasing interdependence between buyers and suppliers in supply chains, many supply management researchers propose to extend the scope of concern to include upstream suppliers when formulating approaches to enhance sustainability or ethical performance. For instance, Vachona and Klassen (2008) assert the importance of supplier collaboration on environmental practices and empirically test the impact of joint actions in environmental planning, pollution reduction activities, and environmental goal setting on process-based performance. Carter and Jennings (2004) investigate the potential contributions of purchasing to CSR adoption with respect to such dimensions as community, workplace, safety, and human right, etc. Researchers have also considered other issues such as purchasing from minority business enterprises (e.g., Carter et al., 1999), and having a concern for the environment (e.g., Carter and Carter, 1998) and human rights (e.g., Emmelhainz and Adams, 1999). While organizations are well aware that they will be adversely affected by the unethical behaviors of their suppliers, managerial guidelines on how a buying firm may proactively enhance its suppliers’ capabilities in implementing ethics-related practices are virtually unavailable in the literature.

A link between the concepts of CSR, sustainable development, and business ethics has been established since the late 1990s and many scholars even consider them as synonyms (Ciliberti et al., 2008). Of these three concepts, CSR is widely considered as a management approach for achieving sustainable development and ethics, and it is closely associated with the recent triple bottom line (3BL) framework (i.e., people, profit, and the planet) (Ellington, 1998). Broadly speaking, CSR refers to “actions that appear to further some social good, beyond the interest of the firm and that which is required by law” (McWilliams and Siegel, 2001). This understanding of CSR has been expanded from the perspective of stakeholder theory, which emphasizes corporate responsibilities towards multiple stakeholders that affect and are affected by organization’s actions (Freeman, 1984). Several empirical studies have provided evidence that CSR adoption can effectively reduce unethical practices and agency problems, strengthen relationships with primary stakeholders (e.g., increased employee commitment and customer satisfaction), and establish organization’s trustworthiness (Clarkson, 1995; Jones, 1995; Maaignan and Ferrell, 2004). Moreover, the engagement of CSR is strongly linked to the creation of corporate reputation, which is considered to be an intangible resource for corporate sustainable development (Russo and Fouts, 1997). Obviously, if a buying firm intends to influence a supplier’s ethics management practices and performance, it could focus on influencing the supplier to implement CSR. However, although the OM and supply management literature has been replete with ideas on supplier management, suggestions on how a buying firm can influence its suppliers to implement CSR have been lacking.

2. Conceptual background

2.1. Sustainability, ethics, and corporate social responsibility in operations management

The importance of sustainability, ethics, and CSR has attracted increasing attention of operations and supply management
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