



Social issues in supply chains: Capabilities link responsibility, risk (opportunity), and performance

Robert D. Klassen^{a,*}, Ann Vereecke^b

^a Ivey Business School, University of Western Ontario, London, Ontario, Canada N6A 3K7

^b Vlerick Leuven Gent Management School and Ghent University, Ghent, Belgium

ARTICLE INFO

Article history:

Received 30 October 2010

Accepted 20 January 2012

Available online 4 February 2012

Keywords:

Supply chain management

Corporate social responsibility

Sustainability

Triple bottom line

Innovation

ABSTRACT

Social issues in the supply chain are defined as product- or process-related aspects of operations that affect human safety, welfare and community development. Drawing from related literatures, basic constructs related to capabilities and risk are defined and used to underpin case research in five multinational firms. This data extended our understanding of three key social management capabilities: monitoring, collaboration, and innovation. Moreover, the field research revealed four key linkages that detail how managers actively can work toward mitigating social risks, creating new opportunities, and improving firm performance. Collectively, these capabilities and linkages establish the basis for an integrative framework and five research propositions.

© 2012 Elsevier B.V. All rights reserved.

1. Introduction

A growing number of customers, investors, regulators, and the public are actively investigating aspects of a firm's supply chain that extend far beyond traditional aspects such as cost, quality and financial performance. Over the last decade, social and environmental issues have attracted increased scrutiny and debate. To their credit, many managers have moved forward in their efforts to develop relatively sophisticated products, processes and systems that respond to and plan for environmental issues. For example, widely accepted international certifications, such as ISO 14001, have helped to standardize management systems linked to operations (González-Benito and González-Benito, 2008), and climate change concerns have fostered initiatives to evaluate and label carbon footprints on products, particularly in the U.K. Moreover, researchers have documented evidence that environmental management is linked to performance for both supplier management (Yang et al., 2010) and the broader supply chain (Seuring and Müller, 2008). In parallel, governments also are increasingly implementing regulations that require standardized reporting by firms of pollutants (e.g., Toxic Release Inventory in the U.S.).

Unfortunately, management of social issues in the supply chain lags far behind. Many innovative and sophisticated firms located throughout the world continue to struggle with how to

define, understand and plan for social issues, not to mention realize competitive benefits. For example, inadequate testing of materials or components by a supplier may flow downstream to customers in the form of dangerous or harmful products, resulting in product recalls, a tarnished reputation, and ultimately, significantly higher costs and lower revenue (Roth et al., 2008). Multi-national firms such as Apple, Nike, and The Gap are beginning to actively monitor their suppliers' labor practices, Wal-Mart is seeking to improve product safety, and Home Depot is working to develop stronger ties to local communities attempting to reduce negative social impacts related to lumber sourcing (Grow, 2005; Hesseldahl, 2006; Zimmerman and Fong, 2008).

Other aspects, such as workforce practices used by suppliers in distant countries, do not escape the attention of non-governmental organizations (NGOs) and are now relevant to many firms or their customers (Leipziger, 2009). Recently, new regulations for the Registration, Evaluation and Authorization of Chemicals (REACH) in the European Union are another indicator of a strong trend toward *simultaneously* attempting to protect human health and the environment (European Commission, 2007). First coined by Elkington (1997), the combination of economic, social, and environmental performance can be thought of as a 'triple bottom line'. These concerns and challenges are not unique to one region, one industry, or one type of firm. Instead, these issues cut across the entire supply chain, which must be viewed broadly to encompass internal operations, multiple tiers of suppliers, and both direct customers and final consumers.

In short, for operations and supply chain management, social issues can be narrowed to product or process aspects that affect human safety and welfare, community development, and protection

* Corresponding author. Tel.: +1 519 61 3336; fax: +1 519 661 3959.

E-mail addresses: rklassen@ivey.uwo.ca (R.D. Klassen), ann.vereecke@vlerick.com (A. Vereecke).

from harm. Within this domain, this paper explores the relationships between the supply chain context and actions that tie different management practices to social issues and outcomes. Because firm boundaries tend to be somewhat fluid over time as outsourcing, increased vertical integration or off-shoring occurs, it is important to recognize that social issues in the supply chain must encompass suppliers, downstream distributors, customers, end-users, and in-house operations. And the scope of social responsibility evolves over time based on society norms and expectations. Thus, as observed by a senior manager in one of our cases, it is difficult to hold suppliers accountable for social issues if your firm is unwilling to lead by example.

This research seeks to understand which social management capabilities contribute to competitiveness, and more specifically, how they might be linked to social responsibility, risk, opportunity, and performance in the supply chain. Thus, this paper makes three contributions. First, drawing on prior literature, three constructs related to the management of social issues in operations are identified, defined, and delineated: capabilities, responsibility, and risk. Second, field-based case research was employed to develop a more detailed understanding of how firms have translated capabilities into specific social management practices that can be adopted within other firms. As such, this paper takes a step toward addressing the demand for more research addressing social issues within sustainable supply chains (Seuring and Müller, 2008). Our case data then is combined with earlier literature to construct an integrative framework that depicts how these constructs collectively form management's approach to social issues in the supply chain. Four critical linkages are proposed that connect multiple capabilities for managing social issues to both inputs, such as responsibility, and outputs, such as risk, opportunity and performance. Finally, a set of research propositions derived from the case data is presented to guide future research.

2. Literature review

To underpin our research, two broad streams of research related to social issues in the supply chain are overviewed very briefly: social issues in the supply chain; and operational risk and related supply chain capabilities. Recent literature reviews (e.g., Carter and Rogers, 2008; Seuring and Müller, 2008) have done an admirable job of comprehensively covering each stream, and so the intent here is narrower: highlight several concepts and constructs that were critical to framing the initial research design, and then interpreting and synthesizing managerial observations.

2.1. Social issues in supply chain

As noted earlier, social issues focus on human safety and welfare, community development, and protection from harm. The danger is that the scope of this definition can become either so broad as to encompass all of management, or so narrow that operational risks or opportunities are overlooked. At a minimum, characterizing social issues in the supply chain requires exploring three questions: who is being targeted, which issues are being addressed, and how they are being addressed (Wood, 1991). For the first question, "who", stakeholder theory (Freeman, 1984) points toward spanning at least three levels of interested individuals and groups for social issues. First, the *internal* level within a firm's own operations, under direct control of management, captures such aspects as workforce diversity and safety management. A second *inter-firm* level captures external interactions where strong economic ties connect firms, i.e., buying firms, suppliers, consumers and end-users. Collectively, these two levels – internal and inter-firm – represent the supply chain. Finally,

other *external* stakeholders, possibly with weak economic ties, such as communities, regulators, and NGOs, are a third level.

In terms of "which issues" to address, initial research explored supplier labor practices (Emmelhainz and Adams, 1999) and supplier development with minority suppliers (Krause et al., 1999). Of particular note, Carter and Jennings (2002) proposed a multi-dimensional index to operationalize purchasing social responsibility (PSR). Like corporate social responsibility (CSR), PSR included environment, diversity, safety, human rights, and philanthropy. However, no evidence was found that this construct was directly related to financial performance; instead, organizational learning was a mediating construct (Carter, 2005). In part, this lack of direct support might have resulted from combining dimensions for social issues, environmental issues, and discretionary areas (i.e., philanthropy) into a single holistic construct. Human rights also are becoming increasingly important, possibly to protect a firm's markets as supply chains become more transparent (Awaysheh and Klassen, 2010; New, 2010).

Given the wide range of human health and welfare concerns that could be labeled a 'social issue', managers are well served, at least initially, to focus on those issues for which their firm bears responsibility. To be fair, responsibility has been defined in many ways by the sociological and business literatures, as observed by Bovens (1998: 22), "If a word were ever to be described as a 'container concept,' then that word is 'responsibility'. It is a vessel from which speakers can apparently draw at will; a tub in which almost all important moral, legal, and political ideas are to be found if only one rummages about in it long enough." The widespread use of the term "corporate social responsibility" (CSR), which captures the general duties and obligations of corporations to society, adds further confusion (Vogel, 2005). Moreover, CSR typically encompasses environmental and social issues as components of the triple-bottom line (Elkington, 1997).

Rather than attempt to include all aspects of CSR in this research, two constraints are imposed: first, emphasize a classical definition of responsibility, i.e., the authority to act independently with accountability (Soanes and Stevenson, 2005); second, limit the scope to supply chain management. Thus, *social responsibility* stems from the direct or implied duty that managers have to deal with particular social issues, business decisions or outcomes in the supply chain (New, 2004; Klassen, 2009). Quoting a manager from Reebok (Creelman, 2005)

If a customer calls and complains that the sole got separated from the shoe, we can't very well say 'Oh, that's not Reebok's responsibility, that shoe is made by an independent factory in Korea.' We have to take responsibility for the quality of the product even though we don't make it ourselves. The same applies to the working conditions. If a customer calls up about working conditions at one of our suppliers, we have to take responsibility for those working conditions.

In a supply chain context, responsibility is conferred when a firm has authority to make decisions independently, and has the ability to control, pressure or induce action by suppliers and customers through such factors as product design or contractual arrangements (Parmigiani et al., 2011). In essence, the firm has responsibility because it can *influence* conditions (either through action or inaction) that result in specific social outcomes, and responsibility includes both legal obligations and ethical overtones.

In many respects, the third "how" question pushes researchers and managers to translate the "who" and "which issues" questions into tangible management systems and programs. Thus, to characterize management's approach to social issues in their supply chains, an integrative process-oriented framework is needed to link responsibility for social issues with capabilities.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات