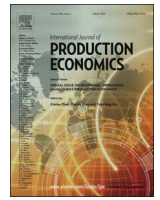


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Int. J. Production Economics

journal homepage: www.elsevier.com/locate/ijpe

Supplier selection based on corporate social responsibility practices

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ARTICLE INFO

Keywords:

CSR practices
Supplier selection
Multi-stakeholders
Hybrid MCDM

ABSTRACT

Due to the momentous effects of responsible sourcing in a firm's performance, the sourcing process is tedious. Purchasing managers face a difficult decision in determining how to select responsible suppliers so they can maintain their firm's competitive advantage in the contemporary business environment. Firms need to satisfy not only the views of society but also to consider the opinions of all stakeholders to stay profitable and to create a supportive business strategy. Existing studies fail to provide a model for socially responsible supplier selection, particularly when various actors are involved. To fill this gap, this study proposes a model to select the best supplier based on their corporate social responsibility (CSR) practices and to identify the key actors (Shareholder, Governments, Customers, and Community) whose perspective is vital. We utilize a hybrid multi criteria decision making (MCDM) approach; however, the supplier selection portion relies on a pure decision making process with consideration of multiple criteria. This study proposes the model in three phases as follows. In the first phase, the collected common CSR practices are scrutinized through fuzzy Delphi with the assistance of experts' opinions. In second phase, the interdependencies, interrelationship and weights of CSR practices are analysed through DEMATEL-ANP (DANP). The final phase proceeds with the selection of the best alternative (supplier) based on CSR practices through PROMETHEE. The proposed model is validated with the case illustration and the results are discussed with feedback from the case purchasing managers. Finally, the study ends by identifying managerial implications and its limitations, and we provide some useful future insights which will increase the effective integration of CSR in supply chains and especially in the supplier selection process.

1. Introduction

Because of the world's rapid economic and industrial growth, today's global business environments necessarily focus on supply chains and operations management. Managers of traditional supply chains have had to become flexible to the dynamic, changing requirements of their customers while still maintaining profits (Li et al., 2013, 2015). That new approach is called "responsive," (Roh et al., 2014), and responsive supply chains typically include green supply chain management (GSCM) techniques, sustainable supply chain management (SSCM), reverse logistics, or other strategies. Historically, corporate social responsibility (CSR) is widely accepted as an important supply chain approach that emphasizes both competition and sustainability. In fact, CSR includes the three pillars of sustainability: economic, environmental, and social concerns. Pressures from both internal and external stakeholders have urged industrial managers to adopt CSR practices into their supply chains, and the potential benefits are noteworthy. Adopting CSR practices may increase the market share and sales revenue of a firm, and it may improve customers' perception

of the firm (Salam, 2009; Xu et al., 2013). In recent decades, the rise of CSR depends on the global political economy (Luning, 2012) and has become a popular research topic, but an exact definition of the concept is still under debate (Devinney, 2009; McWilliams et al., 2006). Because of the lack of a clear definition of CSR, companies emphasize and practice it differently (Oberseder et al., 2013). Thus, the next research focus has been to establish the role of CSR and to identify, in particular, what stakeholders expect from a company that adopts CSR practices.

Some current literature explores the importance of stakeholder involvement in CSR implementation. First, we must recognize that in many firms, stakeholder perspectives are not considered; decisions are left solely to managers. Researchers disagree on the value of including stakeholders' views. For instance, Trapp (2014) argues that more benefits emerge for the company when stakeholders are involved in the decision to adopt CSR strategies. On the other hand, Costa and Menichini (2013) state that stakeholders sometimes do not know how a company might specifically implement CSR practices. We can affirm, however, that adopting CSR practices is likely to ignite relations

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E-mail address: kgov@iti.sdu.dk (K. Govindan).<http://dx.doi.org/10.1016/j.ijpe.2016.09.003>Received 24 July 2015; Received in revised form 27 July 2016; Accepted 5 September 2016
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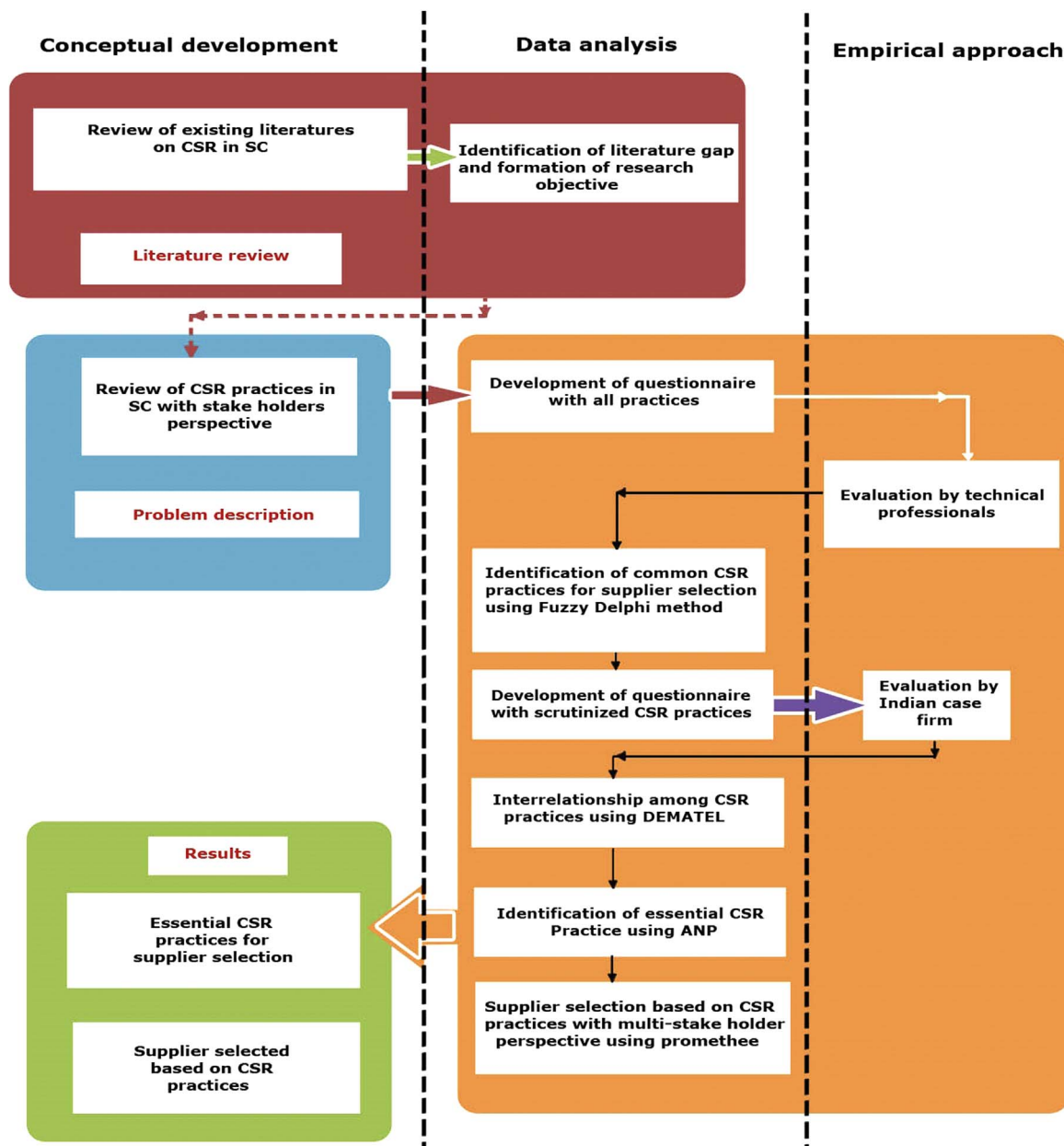


Fig. 1. Research framework of the study.

between the firm and its stakeholders and will likely improve the company's competitive advantage.

Supplier selection is one of the toughest decisions industrial managers make, because the amount spent for procuring materials may reach 75% of the company's initial capital costs, and inefficiencies in the supplier selection process will damage the firm's profit margin (Cheung et al., 2009; Xu et al., 2013). In a conventional supply chain, supplier selection is generally based on some common criteria such as quality, cost, durability, or the supplier's environmental management system. Currently, few studies consider the role of multiple stakeholders in the supplier selection process; those that do focus on either green or economic criteria. Some work that considers the supplier selection process (Xu et al., 2013; Baskaran et al., 2011; Baskaran et al., 2012) will include a discussion of CSR perspectives, but those studies are limited to the multi-stakeholder approach and examine CSR issues, not practices. Hence, to fill this literature gap, this study considers the supplier selection process based on the CSR practices with the concern of multi-stakeholder perspectives. To address the research gap and to achieve the aim of the paper, three research

questions are framed as follows:

RQ1: Why are CSR practices really needed for this study?

RQ2: What are the most influential CSR practices that will be involved in the supplier selection process?

RQ3: How do multiple stakeholders influence the supplier selection process?

Some stakeholder studies with CSR implementation already exist with regard to companies in developed nations. But Abreu et al., (2012) and Dong et al., (2014) make an important observation: the level of stakeholders' power on CSR initiatives will naturally vary from one country to the next because of each nation's unique social, political, regulatory, economic, and cultural institutions. In this concern, this study examines CSR practices, the supplier selection process, and the expectations of multiple stakeholders in an Indian scenario. India is the fourth largest economy and one of the fastest emerging contexts. Yet, CSR implementation is still largely ineffective in Indian companies due to low level economic development, corruption, an unwillingness to cooperate, and a lack of effective communication with a firm's stakeholders (Lattemann et al., 2009; Kannan et al., 2014; Shen

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