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Socially responsible supply chains in emerging markets: Some research opportunities

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ABSTRACT

This article seeks to provide research opportunities in “socially responsible supply chains”. I first provide some background and context from the wider literature. Then I outline case studies in emerging countries where large companies engage the poor as producers and the poor as distributors. Next, I discuss different research topics arising from socially responsible supply chains.

1. Introduction

The notion that business has societal obligations can be traced back to at least the nineteenth century in Europe (Smith, 2003). Public concerns about environmental issues (e.g., climate change, deforestation, and water and air pollution) and social issues (e.g., poverty, hunger, income inequality, gender equity, population growth) over the last two decades have generated renewed interest in corporate social responsibility (CSR) in boardrooms beyond philanthropic activity. To address various social and environmental issues, all United Nations members declared their commitments to help achieve the following eight Millennium Development Goals in 2000. Specifically, these eight goals are: (1) Eradicate extreme poverty and hunger; (2) Achieve universal primary education; (3) Promote gender equality and empower women; (4) Reduce child mortality; (5) Improve maternal health; (6) Combat HIV/AIDS and other diseases; (7) Ensure environmental sustainability; and (8) Develop a global partnership for development. It is interesting to note that some of these goals deal with the issue of social responsibility.

With economic, environmental, and social concerns, company executives face different paradigms. One is to serve the *shareholders'* interests, following Friedman's definition of social responsibility that “social responsibility of business is to use a company's resources and engage in activities designed to increase profits so long it stays within the rules of the game ...” (Friedman, 1970). The other one is to serve its *stakeholders* – customers, employees, shareholders, and society at large – (Sodhi, 2015). Furthermore, there is also a sense that long-term profits and therefore shareholder value benefit from serving multiple stakeholders (cf. Eccles et al., 2014). Finally, there is the view that pursuing environmental and social goals for their own sake should be put on the same level as profits, and therefore corporate focus should be on the triple bottom line of “profit, people and planet” (Elkington, 2002).

In this paper, I focus on social issues and the “socially responsible” supply chain rather than environmental issues for three reasons. *First*, environmental sustainability issue has been well studied since the 1990s (Linton et al., 2007; Kleindorfer et al., 2005). For instance, in the research stream of “closed loop supply chains”, most OM researchers tend to focus on the re-manufacturing issue (Atasu and Van Wassenhove, 2012; Drake et al., 2008; Ferguson and Souza, 2010; Guide, 2000; Guide et al., 2003; Guide and Van Wassenhove, 2009; Linton et al., 2007). Souza (2013) and Seuring and Müller (2008) have comprehensively reviewed the literature on closed-loop supply chains and environmental sustainability; respectively. More recently, Geissdoerfer et al. (2017) and Bocken et al. (2017) suggest that industry and policy makers are promoting the concept of “circular economy” that calls for better use of resources via a circular system instead of a linear system. They also explain the similarities and differences between circular economy and (environmental) sustainability. Agrawal et al. (2017) discuss new research opportunities by leveraging the circular economy concept. Given the fact that the research agenda for environmental sustainability is well established, there is not much for me to add.

Second, many researchers (Carter and Rogers, 2008; and Agrawal and Toktay, 2010) have noted that the area of socially responsible supply chain is not well understood. The literature has grown considerably since 2010; however, the increase is in *breadth* of areas covered with many conceptual papers (and reviews) rather than *depth* (Sodhi and Tang, 2018). While Carter (2000), Karna and Heiskanen (1998), and Sarkis (2001) represent early research attempts that incorporate the social aspect in supply chain, Seuring and Müller (2008) and Tang and Zhou (2012) note in their reviews that “socially responsible supply chains” remains to be a nascent research area in OM.

Third, I used Scholar Plot^R to search and plot the number of articles (books, working papers, and published articles) listed on Google Scholar from 2000 to

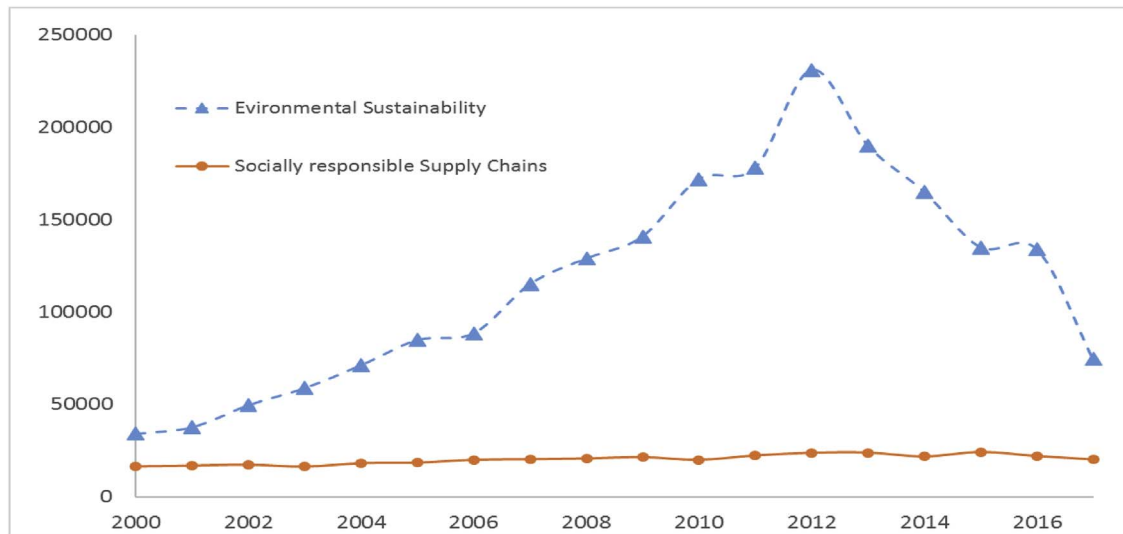


Fig. 1. Number of articles listed on Google Scholar from 2000 to 2017 that contain the keywords “environmental sustainability” and “socially responsible supply chain”.

2017 containing the term “environmental sustainability” and “socially responsible supply chains” respectively (Fig. 1). Fig. 1 appears to suggest that “environmental sustainability” is a well-studied area, but “socially responsible supply chains” has more room to grow as a research area.

For these three reasons, I focus on research opportunities in the area of “socially responsible supply chains,” in particular on the context of emerging markets because of the social perception that large corporations in particular have social obligations to support the poor as they source from and/or sell in these developing countries.¹ Also, these challenges can turn into opportunities for companies to create shared value in emerging markets without violating ethical norms (De Los Reyes et al., 2017).

This paper is organized as follows. I provide some background and context from the wider literature in Section 2. Section 3 outlines studies or corporate examples where companies engage the poor as producers and the poor as distributors. In Section 4, I discuss different research opportunities arising from socially responsible supply chains. Section 5 concludes with the hope these opportunities will motivate OM researchers to embark on scope-expanding and socially-relevant research in OM.

2. Background

The European Commission has defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” There are many other definitions and the reader is referred to Dahlsrud (2008) for an analysis of 37 definitions of CSR, and Rosamaria et al. (2011) for a review of the historical background of CSR.

Even though implementing CSR initiatives is seen as the right thing to do, Ward and Smith (2006) articulated that “the lack of a single agreed definition of CSR and its objectives has become a real blockage.” At the same time, some researchers even argued against CSR: for instance, besides Milton Friedman, Henderson (2009) has claimed that CSR is not well defined and CSR will result in high costs and impaired business performance.

Ward and Smith (2006) commented that CSR is “now breaking up into a distinct series of sub-agendas” and “a variety of alternative characterisations emerged.” Specifically, some firms viewed CSR as charitable giving, and other firms viewed CSR as a combination of “business case” and “moral case”. Consequently, the term CSR has evolved into many other terms including “sustainability or social responsibility.” For example, Spence and Bourkalis (2009) studied how Waitrose, a leading supermarket in the UK, evolved from CSR to supply chain responsibility.

This “evolution” is consistent with the result of our Google searches. First, I searched on Google using “corporate social responsibility” (without the quote) and received 111 million results (on June 15, 2017). However, over 196 million results were found when searching “sustainability” (without the quote), and over 147 million results when searching “social responsibility”. Second, I searched through the Scopus citation database for social science and humanities using “corporate social responsibility”, “social responsibility” and “sustainability” (with the quote). The number of research articles published between 1980 and 2015 suggests that the number of academic articles about “sustainability” and “social responsibility” overtook “corporate social responsibility” in the early 1990s (Fig. 2). Linton et al. (2007) also found an increase in the management literature between 1990 and 2005 that examined the concept of environmental sustainability.

McWilliams et al. (2006) and Carter and Easton (2011) discuss how the field of sustainable supply chain management has evolved from a CSR perspective to the more prevalent view of triple bottom line to address environmental and social concerns besides profitability. Given the divergent interests of different stakeholders, Devinney (2009) argue that CSR is about making the “right” trade-offs between profits and social responsibility, and that these trade-offs are rarely Pareto optimal. Devinney’s argument is supported by studies conducted by Wu and Pagell (2011) and Zhu and Sarkis (2004) who have examined how firms trade profit off for meeting environmental and social goals.

It has been argued that to an extent a tradeoff is not required. On one hand, Salzmann et al. (2005) found inconclusive empirical evidence about the causality between social or environmental performance and financial performance. On the other, based on a longitudinal study over 18 years, Eccles et al. (2014) found empirical evidence that firms adopt more social and environmental improvement practices perform better in terms of stock market and accounting performance. These two papers together suggest that there may be tradeoffs in the short term but not in the long term. Also,

¹ There are studies that examined the issue of socially responsible supply chain issues arising from developed countries. For example, Mont and Leire (2009) and Andersen and Skjoett-Larsen (2009) presented different case studies about the practice of socially responsible supply chains in Sweden.

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